

INTERNATIONAL NEWS

Concern rises as Tokyo inflation hits 9-year high

By Stefan Wagstyl in Tokyo

INFLATION in Tokyo reached 3.9 per cent last month, the highest since 1981, adding to concern about rising prices in Japan.

The Bank of Japan, which has raised interest rates over the past 18 months to curb inflation, is likely to maintain its tight grip on credit and keep short-term interest rates high.

Mr Russell Jones, an economist at UBS Phillips & Drew, said: "This figure is very disturbing. I don't see the Bank of Japan relaxing monetary policy for at least two or three months."

Prices last month were boosted by the impact of bad weather on fresh food prices, which were 55.6 per cent higher than in November last year. The government's management and co-ordination agency said that if fresh food was excluded the inflation rate would have been 3.3 per cent, only 0.2 percentage points above the 3.1 per cent recorded in October. Another special factor was a rise in heating oil and other petroleum product prices due to the Gulf crisis.

Meanwhile inflationary pressures in the labour market remain strong. According to the ministry of labour, the job offer in October exceeded

the number of jobseekers by a ratio of 1.43 to the sixth month in a row that the ratio stood above 1.4. Shortages were particularly severe in services, including retailing and wholesaling. Department stores have complained that they are unable to hire temporary workers to deliver New Year's gifts. Students, the traditional employees, have already been snapped by bars, restaurants and others.

● **TTP:** flow of capital out of Japan, one of the key movements in world financial markets in the 1980s was expected by the flow of capital into the country for the second successive month in October.

It was the first time since January and February 1981 that the net figure on Japan's long-term capital account showed a surplus. The net inflow in October was \$7.1bn, up from \$5.7bn in September. The main reason was that Japanese investors continued to sell foreign securities in large quantities, net \$2.7bn against \$1.4bn in September.

The current account balance was in surplus to the tune of \$2.7bn, down from \$3.7bn in September. The merchandise trade surplus expanded from \$5.97bn from \$5.48bn, but the balance on invisibles widened.

South Africa's draft dodgers trickle home

Much has changed since would-be conscripts fled into exile, writes Philip Gawith

THE ten draft resisters who return to South Africa today come home to a much changed country, and military environment.

"They left South Africa when it was widely accepted as a military state. They're coming back to a democratising country," said one anti-conscription activist.

How the authorities will react is not clear. They have begun the process of releasing political prisoners, and conscripts - 10,000 have fled the country - can no doubt claim that avoiding military service is a political crime which should be amnestied.

But such an action by the authorities might be seen as a de facto abandonment of conscription, something which they have yet to accept. A committee under General Jan van Loggerenberg, Chief of the Air Force, recently studied the question of conscription, but their findings have not been made public.

A case this week, however, may provide a pointer. An objector was sentenced to community service rather than prison, invariably the case in the past.

In the late 1970s compulsory conscription was raised to an initial period of two years (plus two years in the form of annual camps) when the country became more embroiled in the war against Swapo, the Namibian nationalist movement, and internal unrest levels escalated after the 1976 Soweto riots. Only white men are conscripted.

From the outset many young men fled to avoid conscription. A brave few - approximately 25 - refused conscription, but stayed in the country to be tried and jailed for up to six years.

Objectors normally avoided conscription for a mixture of moral and pragmatic reasons. Many felt that Swapo's fight for independence was justified, and giving up two years to a dubious cause was not considered a worthwhile sacrifice.

Objectors argued that their moral case was considerably bolstered after 1984 when troops were deployed to quell township unrest. The increasingly politicised role of the army was matched by an ever greater exodus of young men avoiding the draft.

The cost to the country in loss of skilled manpower was enormous. Research by Mr David Shandler at Wits University suggests that, the brain drain was costing the country about \$20bn a year. Avoiding conscription was not the only reason people left, but it was a major factor. His research, in 1989, found that half of the year's English speaking graduates, in professional subjects, were considering leaving "in the main because of conscription".

Now the situation has eased. Just as some are coming back, so fewer are leaving. Last year the period of military service was cut to one year.

The ten will return to find the army still coming to terms with its altered role.

Externally, it faces a changed world. The Namibian war is over and not even General Mag-

nus Malan, the hawkish defence minister, can detect expansionist ambitions in the ailing Soviet empire. At home the army enjoys reduced prominence in public life. President F W de Klerk has a stronger instinct for civil society than his predecessor, Mr P W Botha, whose roots were firmly in the defence establishment. This is reflected in a

real cut of 16 per cent in the 1990 defence budget with more cuts expected.

Ironically, the major obstacle to South Africa reaping its "peace dividend" is the high levels of township violence. Residents often call for the army rather than the police, and this makes it harder to trim defence spending.



CALLED UP: A grim-faced recruit arrives to begin his military service

Return of exiles will test call-up

PRETORIA'S attitude to enforcing conscription will receive a key test today with the return of 10 white South Africans who have spent years exiled in Britain to avoid serving in the armed forces, Our Foreign Staff writes.

Unlike members of the African National Congress whose return from abroad has been agreed by the government, no amnesty has been granted for South African draft resisters, who are believed to number up to 10,000 worldwide.

It is expected that the 10 will face call-up into the South African Defence Force once they have re-settled, and prosecution if they decline to serve. All have pledged to refuse any call-up.

Courts have recently begun taking a more lenient attitude to conscientious objectors who have chosen to stay in the country.

The departure of the 10 concludes the 12-year existence of the Committee on South African War Resistance (Cosawr), a campaigning and support group. Cosawr's activities will be merged with those of the End Conscription Campaign (ECC), based inside South Africa.

Both argue that a white conscript army is incompatible with moves towards a non-racial South Africa.

Confused men turn to fuzzy logic

By Stefan Wagstyl

WATERPROOF telephones, Italian restaurants and washing machines simple enough for men to operate were the hit products of the year in Japan, according to a survey published yesterday.

Dentsu, the advertising agency, said a search for "comfortable alternatives" has motivated the Japanese consumer in 1990.

Cordless telephones of all kinds were selling well even last year. Makers capitalised on the boom to launch new models - including remote-controlled and waterproof versions for use in the bath.

Italian restaurants were popular because Japanese like the casual atmosphere and the light food. Women also went for low-alcohol drinks with cute names such as Suntory's Miss Peach Fizz, and Meridian's Original Peachtree Fizz.

The health-conscious drank more mineral water, and unsweetened canned drinks than ever before - including

sugar-free tea and coffee. "Healthy, sexy and beautiful" seem to be the three desires of many young Japanese, says Dentsu, pointing out that fitness clubs were also popular. So were so-called "stress-eliminating goods" such as recordings of biophysical waves, designed to induce sleep.

A hot summer was a boon to brewers. Kirin Beer, the market leader, at last found a product which out-sold Dry Beer, a hit launched three years ago by rival Asahi Beer. Ichiban-shibori, a premium-priced luxury beer, registered even more rapid sales growth than Dry Beer when it was launched.

Consumers were also attracted to a new generation of household appliances featuring "fuzzy logic" - an operating system which replaces many of the complicated controls on traditional equipment.

Washing machines, vacuum cleaners, microwave ovens and air conditioners incorporating fuzzy logic were all popular.

Chad rebels seize town

REBEL forces trying to topple the Chad government captured the largest eastern town, bypassing French troops based there and moving in without a fight, the French Foreign Ministry said yesterday. AP reports from Paris.

The taking of Abeche, 500 miles from the capital of N'Djamena, was the rebels' biggest gain in a three-week offensive. The government of President Hissene Habre said recent fighting had been of "great violence" but made no mention of a rebel takeover at Abeche.

Government forces reportedly retreated to the westward to the town of Oum Hadjer before the rebels moved into Abeche, about 60 miles away.

The 500 French soldiers based around the airport in Abeche were not contacted by the rebels and did not oppose the takeover, the foreign ministry said. Chad is a former French colony, and French

troops are there under a defence agreement.

Chad says the rebels, based in neighbouring Sudan, are backed by Libya, which occupied northern Chad in 1986 before being chased out the following year. France claims that this time the fighting is among Chadians.

Libya denies any involvement in the rebel offensive, which began on November 10 under the command of Idriss Deby, who acted as military adviser to President Hissene Habre after helping bring him to power in 1982. Deby fled in April 1989 amid allegations of a coup plot.

Chad contends the rebel offensive is a fresh effort by Libya to take over the country. Despite a peace treaty signed in 1989, the two countries continue to dispute the Libyan-occupied Aozou Strip, a mineral-rich stretch of land on Chad's northern frontier.

Australian executives faced with charges

By Kevin Brown in Sydney

AUSTRALIA'S corporate regulatory authorities yesterday brought charges against several businessmen in the latest phase of a tougher stance on alleged corporate crime.

The most prominent was Mr Laurie Connell, former head of the failed Rothwells merchant bank, who was arrested in Perth and charged on 44 counts under the Western Australia criminal and companies codes.

The charges follow an investigation of the collapse of Rothwells by Mr Malcolm McCusker QC, a special investigator appointed by the Western Australia state government.

Mr Connell is already facing several charges brought before the publication of the McCusker report which allege conspiracy to defraud in connection with statements in the bank's 1987 and 1988 accounts. He denies all the charges.

The McCusker report alleges Mr Connell falsified the accounts to hide debts of up to \$450m. It also alleged that Mr Connell made a series of sham payments to Mr Alan Bond, a

fellow Perth businessman whose Bond Corporation holdings collapsed earlier this year.

Charges relating to Rothwells were also brought yesterday against Mr Dallas Dempster and Mr Thomas Huggill, an accountant who is already in prison after being convicted of earlier offences.

In Sydney, the New South Wales state government said it would bring 12 charges against Mr Garry Carter, former chairman of the Entity Group.

The National Companies and Securities Commission also announced that the Victorian Supreme Court had found three directors guilty of illegal conspiring to gain control of a local company called Keygrowth. The NCSC said it was the first time such charges had been upheld in Australia.

The developments in the three states reflect the changing attitude towards corporate crime in Australia following complaints by leading businessmen that the country was suffering from its image as a haven for "corporate cowboys."

Is this how you like your business news?



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WE HAVE EDITOR JOHN JAY, WITH HIS AUTHORITY CITY COMMENT. SARAH HOGG (ONE OF FLEET STREET'S MOST RESPECTED PUNDITS) GIVES HER WEEKLY ECONOMIC ANALYSIS. THERE IS IN-DEPTH SURVEYING OF THE INTERNATIONAL STOCK MARKETS. AND EACH WEEK JUDI BEVAN LINES UP YET ANOTHER CITY BIG GUN IN HER SIGHTS.

BUT SHOULD YOU BE UNFORTUNATE, AND MISS A BIG STORY IN THIS WEEKEND'S SUNDAY TELEGRAPH CITY & BUSINESS, ALL IS NOT ENTIRELY LOST. IT'S SURE TO CROP UP IN SOME OTHER PAPER.

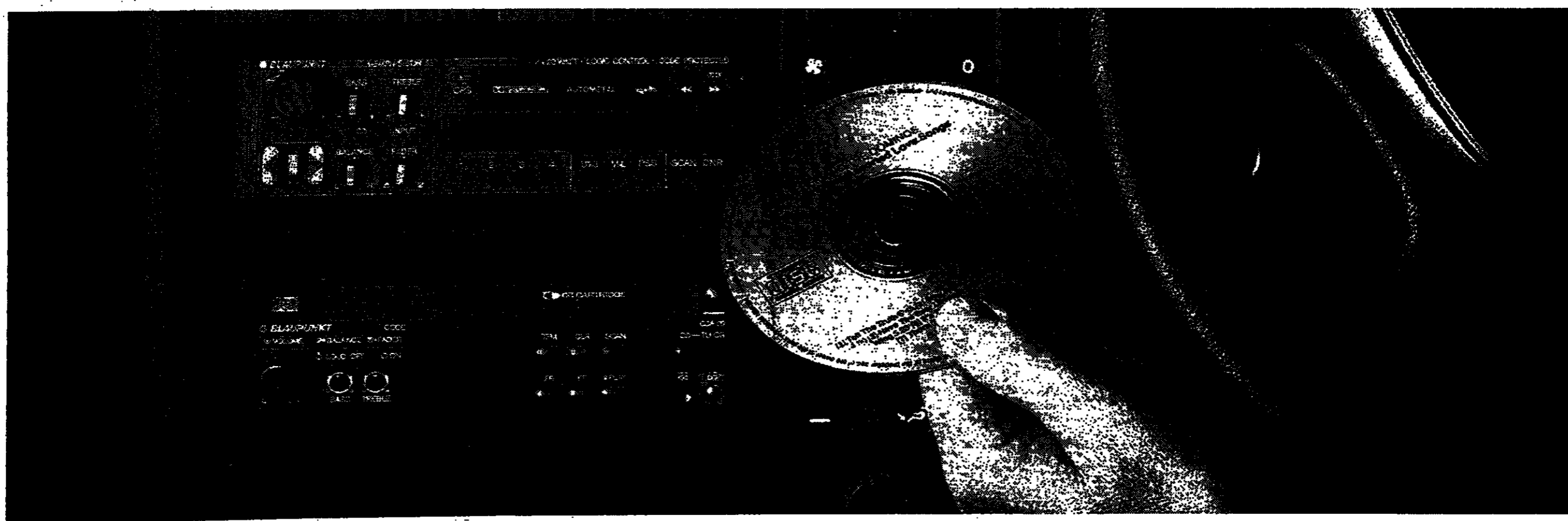
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The Sunday Telegraph

July 11, 1990

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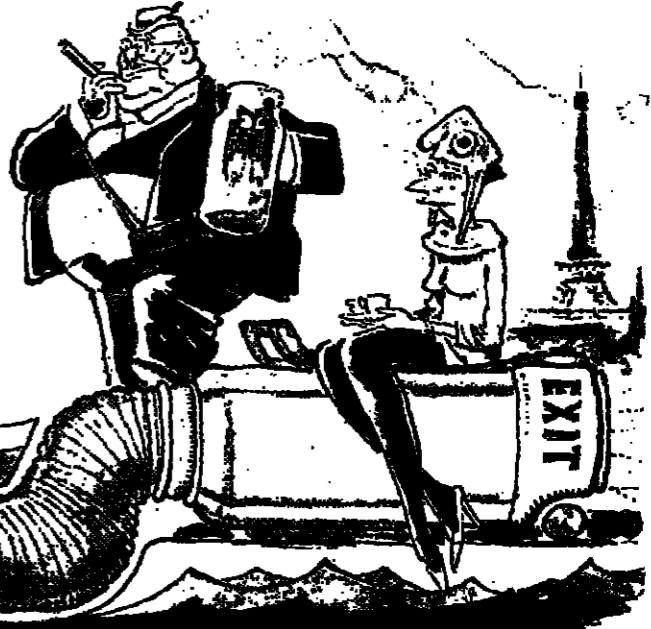
WEEKEND FT 1

Weekend FT

SECTION II

Weekend December 1/December 2 1990

RIP Little England, buried at sea today



"The train now standing at platform five is the 11.32 to Hong Kong. Calling at Lille, Brussels, Berlin, Warsaw, Moscow, Novosibirsk, Ulan Bator and Peking. Change at Moscow for the Caucasus and all stations to Krasnodar. Change at Novosibirsk for Urumchi, Lhasa and connections to India. The next four coaches are for Maidstone and Ashford only."

A FEW swings of the pick this morning is all it will take to hack a man-sized breach in the chalk partition and put an end to Little England. From each side of the wall two construction workers chosen by lot will step forward. It will be their historic privilege to pass through the breach and, travelling by wagon east and west to the tunnel mouth, become the first human beings to make a land crossing between England and France since the retreat of the last European Ice Age 10,000 years ago. Today's ceremony 50 metres below the seabed at a point 24 kilometres from England and 15 km from France is not merely the emotional climax of the biggest construction project in Europe. For all who witness it, it will be a moment of deep symbolism, overshadowing the financial anxieties of Eurotunnel's managers, bankers and shareholders and the running battles between the company and its contractors. Those three subterranean capillary tubes (two for trains, one for maintenance and escape) winding between the white cliffs of Dover and the flat brown heathes of Calais mean the end of Britain's geographical isolation. It is the end of what Britain thinks of as its island story, the end of Little England.

Lord Randolph Churchill told the House of Commons in 1899: "The reputation of England has hitherto depended upon her being, as it were, *virgo intacta*." No more. Britain's hesitant marriage to the European Community in January 1973 is physically consummated. The sky bride has been deflowered and the sheets hung out for ribald inspection by the neighbourhood. It is a sombre day for nationalists and xenophobes, a black day for *Sun* leader-writers and all who think that wogs start at Calais. ("Up yours, Delors"). They will witness at the penetration of the sea's side by a concrete-lined conduit for sauer-

kraut and garlic-munchers, for masked terrorists, drug dealers and rabid animals. Yet Little Englanders who see in the tunnel a violation of their sovereign insularity are certainly outnumbered by Britons who will bless it as a long-overdue and reliable escape route into a wider world. After all, the trains will run in both directions. The French - and other Europeans too - will find less significance in today's ceremony. For them the tunnel is a fine, big building project and a quicker way of getting to Harrods. French tourists may decide to visit England more often but the politicians in the Calais-Nord region are mainly interested in the economic consequences here at last in the means of bringing people and money into their depressed region, creating a European crossroads in an empty corner of the Continent, and compensating them for years of neglect by distant Paris.

Providence, with her usual sense of irony, had decreed that the historic event should occur within days of Margaret Thatcher's resignation as prime minister of Britain in a political conflict provoked by the question of European integration. There is symbolism, surely, in the fact that the junction of Britain and the European continent is occurring under a new British prime minister. Even as the two digging machines in the central maintenance tunnel were grinding towards each other, the Conservative government was being shaken to its very foundations by arguments over the pace of the country's integration into Europe, culminating in the resignation of the deputy prime minister, Sir Geoffrey Howe, on November 1. *The Economist* magazine recognised the irony of the situation on its front cover by portraying Thatcher as an Edwardian damsel in a punt, poling Britain away from the European mainland.

To call Thatcher a Little Englander is perhaps going too far but, as Sir Geoffrey said in his resignation speech, "she seems sometimes to look out upon a continent that is positively teeming with ill-intentioned people scheming, in her words, 'to extinguish democracy', 'to dissolve our national identities', to lead us 'through the back door into a federal Europe'."

Her attitude to the tunnel was rather like her attitude to European integration as a whole. If businessmen and bankers thought the thing would pay its way, then

by all means let them go ahead and good luck to them. But her government was not going to make the taxpayer underwrite a possibly profitless monument to European unity. Yet it is Thatcher, the British mercantilist and reluctant European, who with President Francois Mitterrand of France must take the credit for achieving what generations of politicians and entrepreneurs failed to achieve. If you fly over this absurdly narrow strait it is hard to understand why the link was so long in coming. From the air Britain appears to be merely riding at anchor, waiting for the signal to come in to port, her rump of white cliffs rising comically out of the water like a ruffled petticoat. Crumbling gun emplacements and rolls of rusty barbed wire behind the pebble beaches remind the patriotic Englishman of his invulnerability, of the continuity that has allowed him to build his cosy world of bungalows, panted cottages, amusement arcades, parish halls,

her from which the tunnels could be driven out to France and back inland to the rail terminal. The spoil has been heaped up outside the burrow and flattened to make a promontory for work-shops and machinery. The terminal at Folkestone has had to be compressed lengthwise into a valley between the hills and the town suburbs, at its western end pressing against the hamlets of Frogholt, Peene and Newington. On the other side, the French have had all the space they need. Under a cruciform hangar close to the beach at Sangatte is the mouth of the biggest hole in Europe, a shaft 35 metres across and 70m deep, in which machines the size of bulldozers can be seen sallying up and down on cables from the gantry crane. The excavated chalk is diluted to porridge and pumped into a reservoir behind. As for the terminal inland, it is the size of a small town and will become, the French hope, a lucrative stopping point mid-way between Old

Francis I of France. The people of Calais are thinking of another sort of burger as they prepare to receive the car-borne multitudes that will be pumped through the tunnel after mid-1993. Their English counterparts will not be far behind. Beside a windmill near the terminal Brent Walker, the British property company founded by former boxer George Walker, is finishing one of many new hotels that are expected to spring up. And the farmer by the tunnel mouth, feeding his chickens as if nothing was afoot, is surely waiting for the fast-food magnate with the biggest cheque. If the French have always liked the idea of a fixed link, the British have always been passionately divided. Sir Winston Churchill, Lord Randolph's son and the last British leader actually to face a threatened invasion, was an advocate. But as he observed in the Daily Mail on February 12, 1936: "There are few projects against which there exists a deeper and more enduring prejudice than the construction of a railway tunnel between Dover and Calais. Again and again it has been brought forward under powerful and influential sponsorship. Again and again it has been prevented. Governments of every hue, Prime Ministers of every calibre, have been found during successive generations inflexibly opposed to it." As if anticipating the Dunkirk evacuation, Churchill pointed out that a tunnel could be invaluable to Britain in ferrying men and munitions to and from the Continent and that it was easily flooded in case of danger.

Work was begun at Shakespeare Cliff and 2,000 metres were driven before the government stopped the project for reasons of national security. The last attempt to build the link was abandoned by the Labour Government in 1975, to the fury of the French, for economic reasons. The prospect of war in western Europe seems infinitely remote now. Indeed, the European Community was created in order to make such a war unrepeatable. But as a final safeguard, the Channel Tunnel Treaty (signed, incidentally, 50 years to the day after Churchill's Daily Mail article) allows the two governments to consult each other, if circumstances permit, and to close the tunnel "in the event of natural disaster, acts of terrorism or armed conflict, or threat thereof." Exactly how the tunnel would be shut is not revealed, but according to Eurotunnel's technical director, switching off the pumps that carry away the constant seepage of water would quickly render the railway unusable.

Fifty metres below the bed of the English Channel this morning a few swings of the pick will join Britain to continental Europe. Christian Tyler contemplates the implications of a long-awaited marriage

tea shops and old-world eating places with names like "Khyber Tandori". On a calm day the Channel looks about as threatening as a municipal boating lake, and not much deeper. A beige sea of sandbanks is visible below the surface of the water, crisscrossed in one direction by yachts, hovercraft and ferries and in the other by container ships and oil tankers. But as the flat beaches of France come into sight, the scale is blown up as if to suggest the vast European landmass behind them. It is an empty landscape of isolated, red-tiled farmhouses and broad fields from which hedges and trees have been ruthlessly removed. Differences of geography have prevented any symmetry in the two ends of the project. On the English side the tunnellers have been forced to create a kind of fox's earth at the foot of Shakespeare Cliff, hewing down a gradient to make the cham-

England theme park and EuroDisneyland. England, of course, has always had a foot in this corner of France and many of the local dignitaries are frankly anglophile. After all, King Edward III captured Calais in 1347 when the six burghers, immortalised today in Rodin's statue, offered themselves as security for the town and were released by the entreaties of Edward's queen. Calais was recaptured by Francois, Duc de Guise in 1568, but left its name engraved on the heart of Mary Tudor. Calais celebrates its English past with its Windsor, Victoria and George V hotels, and with offers of "une escapade dans le Kent", day trips to the "charmant petit port" of Ramsgate or to "Bastings historique" (magazines fermes le Mercredi apres-midi). Some have suggested that the Calais terminal be renamed Cloth Cloth to mark the famous meeting of Henry VIII of England and

concern about terrorism has been largely assuaged: it would require an enormous bomb to destroy the tunnel itself, says Eurotunnel, and the effects of a smaller device smuggled on to a shuttle train would be nasty but limited. Rabid animals will be watched by cameras and deterred by "stun mats" at the tunnel entrances. There are other, less obvious, hazards. Far below the tunnels lies the Variscan fault, the cause of occasional earthquakes. The last one of any size occurred in 1580 and knocked chimney pots off in Flanders. The tunnel's engineers have been told to ensure that the pumps and other equipment will survive a tremor by at least 90 minutes - the time it will take to evacuate the passengers. Meanwhile, even as the builders are tying England to the mainland, Continental drift will be pulling the two apart at the rate of 10 millimetres a century. The tension will open microscopic cracks in the joints between the sections of lining. At 80 miles an hour, who will notice? Britain is now cemented into Europe. The occasional rumble or the odd crack cannot alter the fact, and after the seismic shock of Thatcher's departure, what can dissolve the union that will be consummated and celebrated below the seabed today?

Chancellor Kohl and your mortgage

YOU HAVE filled in one form for your bank reducing your monthly mortgage instalment. If it was like mine, it will have come too late to implement in time for the November payment. Never mind; the important question is how long will it be before you fill in another, and another?

That will be a subject at the very top of the economic agenda of the prime minister John Major and his Treasury successor Norman Lamont. Aside from the poll tax, the high level of mortgage rates has been the key domestic issue that brought down Margaret Thatcher. Only by conceding participation in the exchange rate mechanism did she persuade John Major, as Chancellor, to agree to one-point cut two months ago.

In theory, that was the last of the political cuts: now we are in the ERM, monetary policy is driven entirely by the need to maintain a narrowly-defined exchange rate against the other EC currencies. When sterling is in the bottom half of its trading range, as it is now, there ought to be no thought of any cuts. It is true that sterling interest rates are subject to slightly more flexibility because the pound's exchange rate is limited by 6 per cent fluctuation bands rather than the 2 1/2 per cent zone that applies to the other major currencies. Nevertheless, in theory there should not be any interest rate reductions unless sterling were to surge strongly. But it seems that political thoughts are far from dead, and some people

The Long View



John Major trimmed only one percentage point off interest rates in 14 months at No. 11 Downing Street. New tenant Norman Lamont will hope to do better

monetary mistakes of the late 1980s; the banking system is in an even worse mess in the US, and looks pretty battered in Japan too. The heady delights of deregulation encouraged bankers around the world to get their lending boots on, especially the Japanese whose

low cost of capital and market share mentality prompted them to add huge new resources to the global banking industry. But the UK had a particularly low resistance to the monetary infection. Politicians sat back complacently in the reflected glow of booming stock markets and house prices. The disease spread as companies borrowed billions to spend on each other's shares and property. Inevitably banking boom has turned to banking bust. Talk of a credit crunch is exaggerated, but it is bound to seem like that to marginal borrowers when banks turn down the credit shovels from flood levels to something like normal flow. Britain therefore faces a recession driven largely by the need of the corporate sector to repair its balance sheet; assets must be sold, investment must be cut, working capital has to be trimmed back. In the end, real pay growth will suffer too, although this does not appear to be as high up the priority list for most employers as the Government might like. Here we come back to politics. Tomorrow Germany goes to the polls, apparently to give Helmut Kohl a resounding victory. There will then be the possibility that the Bundesbank will take its revenge for being steamrollered during the process of German reunification and will raise DM interest rates to reflect the current German economic boom. The Bundesbank is independent, but evidently more so in some circumstances than others. If the Bundesbank really

flexes its muscles there may even be a realignment of the EMS currencies. The new British Government would have a chance to take a different view about where precisely it wanted sterling to go, and whether it was appropriate to underwrite that decision by moving to the 2 1/2 per cent band. But a Major government is much less likely to want a second guess at the rate of sterling exchange than, say, a Heseltine regime might have been. How would all this affect your mortgage instalment? Well, a rise in DM rates would tend to limit the scope for sterling rates to ease. On the other hand, the very fear of realignment is at present tending to keep sterling's risk premium up, but it would fall after one had been completed. On this basis it is possible to see sterling short-term rates down to 12 per cent by next spring. Domestic pundits are taking comfort from the likely fall in the headline inflation rate into single figures when the November calculation is published in the middle of this month, but foreigners will be far more interested in UK pay inflation than in the headline RPI figure - and pay inflation has yet to come off the boil. So any major move downwards - towards 10 per cent, say - could only come in the wake of a truly nasty recession. That would jolt the labour market into an entirely new frame of mind, but it might also ruin John Major's chances of an extended tenancy of No 10 Downing Street.

RETIREMENT Five key facts

1. Once you've retired, your concern is going to be how to generate income; as well as growth to provide an eventual rise in income to protect your standard of living.
2. Statistics show that these days people are living longer than ever, a man aged 60 can expect to live until 77, a woman aged 55 until 81. So your financial planning must take this into account.
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FAMILY & FINANCE - INVESTMENT TRUSTS SPECIAL

Cash in on the great unknown

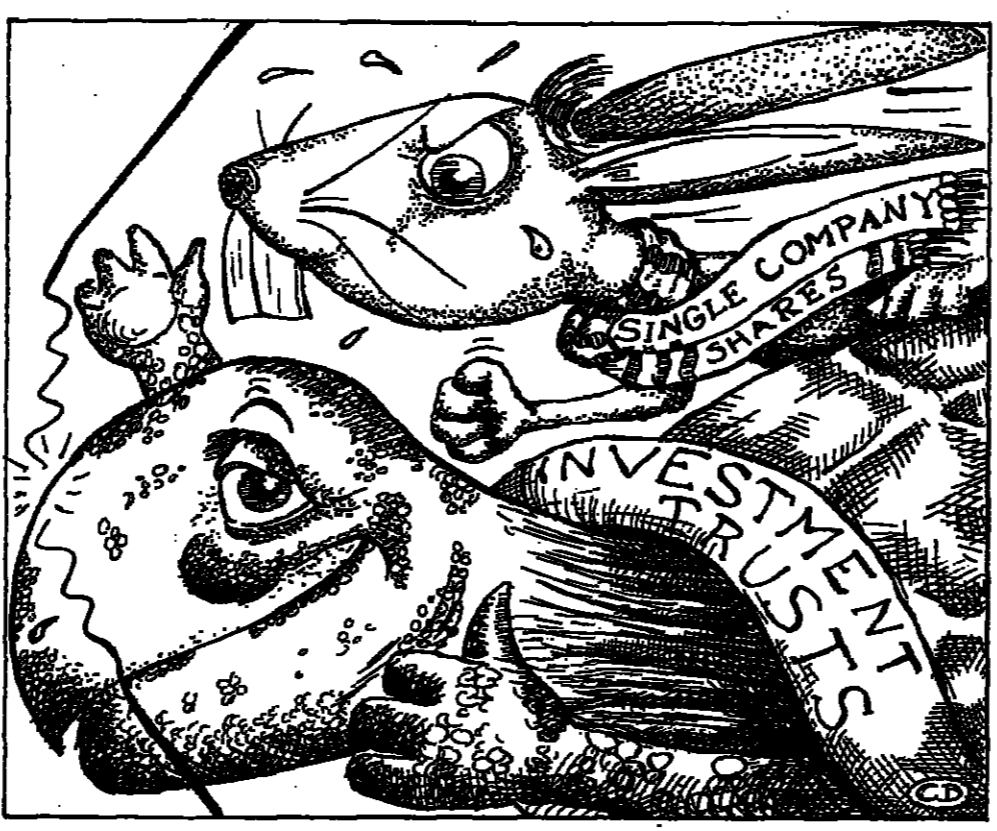
INVESTMENT trusts are still one of the great unknown areas for private investors. But if you have less than £20,000 to invest, and you want to buy shares, then trusts are probably your best vehicle.

An investment trust is simply a company that buys shares in other companies. Buying shares in a trust gives the investor instant diversification and thus protection against the risk that an individual company might go bust.

The number of shares in an investment trust is normally fixed, although trusts can have the power to raise capital. This means that you can only trade your shares by finding another investor who wants to buy or sell, unlike a unit trust where you deal directly with the company.

As with other shares, you have to pay commission and stamp duty and there will be a difference between the price at which you can buy and at which you can sell. But, having paid those extras, the running costs are very low, with management charges often less than 0.5 per cent of the value of the fund.

And the returns could be tremendous: £1,000 invested in the average UK general investment trust grew to £37,436 in the 26 years to July 1, 1990, the same money in a building society higher rate account grew to just £7,120. Over ten years, £1,000 becomes £5,741 with an investment trust and £2,389 with the building society.



The value of investment trust shares is based on the value of the shares it owns in its portfolio. However, the two values are rarely equal. Normally, the market capitalisation of the trust is lower than the value of the shares it owns. In the jargon, the trust's shares stand at a discount.

This discount is a simple function of supply and demand. By historical accident, most investment trust shares are owned by institutions - pension funds, insurance companies and the like. These already manage large portfolios of stocks, and see no reason to pay investment trust managers for duplicating their job. Thus they tend to be sellers of investment trust shares.

Private investors, for whom investment trusts are more appropriate, have simply not bought shares in sufficient numbers to make up for the lack of institutional demand. For one thing, investment trusts have been handicapped in advertising themselves and have lost out in the marketing battle to unit trusts. And it takes an awful lot of private investor purchases to make up for just one pension fund sale.

Supply in the sector thus normally exceeds demand, forcing the price of investment trust shares down. But trusts are not doomed to trade at a discount to their asset values.

If the discount becomes too large, predators may decide to bid for the company, hoping to pick up a large portfolio of shares on the cheap. The arrival of a predator - or even the mere threat of one - will push the shares close to net asset value. After the takeover of Globe, the largest trust, earlier this year, discounts narrowed across the sector.

The other time when discounts may disappear is when trusts specialise in a particular area, such as an emerging stock market. Then the trust may be the only way for an institution to get exposure to that country. Demand will exceed supply and the shares may trade at a premium to their asset value.

So, if you want to buy investment trust shares you should allow for the discount. If the discount is narrow (less than, say, 10 per cent), then you face the double risk that the discount will widen and that share prices will in general fall, pulling down the value of the trust's portfolio.

However, if the discount is wide (say, more than 25 per cent), then there is the possibility of a double gain from an increase in general share prices and from a narrowing of the discount.

Savings schemes: a regular winner

Sara Webb on the advantages of monthly plans

EVERYBODY SWEARS by them in the investment trust industry. What are they? Regular savings plans, of course.

If you want to buy shares in an investment trust, bear in mind that there are several advantages in using a regular savings plan.

The first is that you can reduce your potential loss to a large loss. For example, say you have £2,000 and you decide to invest in a trust in order to gain exposure to a wide range of underlying shares. If you had invested your money in an investment trust in July, you would have seen it suddenly drop in value the following month when world stock markets plummeted in the wake of Iraq's invasion of Kuwait.

However, if you have a regular savings plan, you can "drip feed" your money into the stock market month by month. Say you decide to invest £50 a month when the stock market goes up and the price of the investment trust's shares increases, you buy fewer shares for your money; when the market falls, you can buy more investment trust shares because they become cheaper, thus building up your total shareholding.

The second point in favour of savings plans is that they allow you to invest quite small amounts of money each month, so even if your mortgage payments are hurting you, you may be able to put a bit of money aside for long-term investment.

Most of the investment trust groups which run regular savings plans will accept monthly payments of as little as £20 to £30 per month. For example, Gartmore, Glasgow, Ivory & Sme, and Martin Currie all stipulate a minimum monthly investment of £20. Alliance, Baring, Fleming, Foreign & Colonial, G.T. Johnson, Guinness Mahon, Kleinwort Benson, MIM, Scottish, Stewart, Warr & Co, Throgmorton, and Truist have minimum investments of £25.

Buying shares in an investment trust is considerably cheaper via a savings plan than buying through a stockbroker. If you buy a small holding of investment trust shares through a broker you are likely to pay at least £20 in commission. However, if you invest through a savings plan, you may - with certain managers - have no charges to pay on buying.

'You can drip feed your money into the market month by month'

For example, with Dinedin and Ivory & Sme, there are no commissions or other charges when you buy through the savings plan. With other groups you may pay a commission of between 0.2 and 0.5 per cent; this represents the cost of buying or selling the underlying shares in the investment trust and is passed on by the manager to the investor.

One satisfied investor points out that he would have to pay £25 if he bought his Foreign & Colonial investment trust shares via his stockbroker, but currently pays charges of just 18p a month on his £40 monthly savings scheme payments.

Remember too that you will have to pay stamp duty on investment trust purchases, though there is one exception to this, which is described later. Some groups offer other services such as telephone dealing, share exchange facilities and Personal Equity Plans.

Savings schemes have greatly increased the popularity of investment trusts among small investors. Since the first such scheme was launched in 1984, the amount of money committed to savings plans has increased greatly.

About half of all the investment trust groups now offer savings schemes, linked to 106 different trusts. In 1984, just £89,504 was invested in investment trust savings plans. To date that figure is £78.1m and according to the Association of Investment Trust Companies, there is no sign of a slowdown, despite the adverse stock market conditions. "Investors probably recognise that the current situation presents good buying opportunities," says Lesley Renouise of the AITC.

However, this popularity has created problems for some groups. When a large number of investors with a particular group buy through savings plans, the trust manager is forced to buy a large number of investment trust shares in the open market each month in order to add to these plans. If demand reaches a high level, this forces up the price of the investment trust shares.

As a result, a couple of investment trust groups have started to issue new shares directly into the savings plans, bypassing the open market. In order to meet demand, they are allowed to issue up to 5 per cent of the share capital in this way each year.

The first to follow this route was Robert Fleming's High Income Investment Trust. The trust was formed in April 1989 and more than 90 per cent of it is held by private investors, many of them retired people who want income. Since the launch the share price has been at a premium to the net asset value and has fluctuated between 5 per cent and 14 per cent. "There was clearly an imbalance of supply and demand," says Nicholas Frowse, director of Fleming Investment Trust Management.

Furthermore, Robert Fleming's 12 investment trusts between them have about £1.5m to £2m in savings plans, with a large proportion of this committed to the High Income trust. Therefore, it was agreed to issue up to 5 per cent per annum in new shares for the savings schemes, "so when people ask for high income shares in their savings plans we buy them from the company rather than in the open market," says Frowse.

The advantage of this method is that the investor does not have to pay stamp duty on the transaction because these new shares issued by the company. They also buy the shares at the mid-price rather than the offer price.

Now Foreign & Colonial Eurotrust, which invests exclusively in European markets, is considering following suit. "Eurotrust is finding it increasingly difficult to buy its shares in the market, so we are trying to think of ways around the problem," says Jeremy Tighe, director.

Eurotrust was launched in 1972 and in the last couple of years its share price has been at a premium of around 10 per cent. Although this was not a problem at first because the amounts held in savings plans were quite small, Tighe points out that as European trusts started to attract a lot of attention there was considerable investor interest in the trust, forcing the managers to consider a way of reducing the premium. It is a problem which could haunt other trusts in future.

Capital performers

Top ten performers	% rise
Capital Gearing	1015
M&G 2nd Dual Cap	988
GI Japan Inv	850
Amberley Inv Cap	644
S&P Linked Cap	530
Rights & Inc Cap	522
M&G Dual Cap	507
Fleming Jap	499
Lowland Inv	493
F&C Euro	462

Two things stand out about investment trust performance over the last ten years. First, the biggest increase in share price was shown by a relatively small investment trust which only invests in the shares of other investment trusts. Second, capital investment trusts have done particularly well.

Capital Gearing Investment Trust, which came top in terms of share price increase, has a market capitalisation of about \$6m. Peter Spiller, who manages the investments, says that the trust mainly invests in other investment trusts and capital shares. At present it has 39 per cent of the money in capital shares, 32 per cent in ordinary shares, and 29 per cent in stepped and zero preference shares.

Early in its existence, the trust had "quite a lot of gearing" but has become less highly geared in recent years, says Spiller.

However, while analysts do not dispute the fact that the trust is well managed, its position at the top of the league is not only attributable to the underlying investments. Being a small fund with its shares in popular demand means that the premium has risen to extraordinarily high levels.

The premium is currently around 14 per cent, but it has averaged 71 per cent over the last 12 months and has been as high as 132 per cent. As John Symonds, of Warburg Securities points out: "Capital Gearing is very illiquid. The maximum size of deal you can do is £1,000, and this pushes the share price up. The performance is very good, but not creditable to justify a premium of 71 per cent. There is a spread of 7 per cent on the share price which is fairly wide. The shares are difficult to get hold of and once people see a good track record they rush out and instruct their brokers to buy stock, which helps push up the price further."

Apart from Capital Gearing's tendency to a high premium, there are many advantages to be gained as a small investor in buying investment trusts which invest in other investment trusts.

Graeme Caton of James Capel thinks not. He says that such a fund "is never going to achieve a dynamic performance because you are diluting the shares and you can end up paying double charges." However, he points out one particular advantage, which is that you are more likely to avoid the "company-specific risk" simply because at the most you may only have 1 per cent of your total investment in "losers" such as Polly Peck. In the present economic climate, he thinks that is an important point.

As for the other strong performers of the last ten years, the capital shares of split capital trusts such as M&G Dual Trust, M&G Second Dual

Trust, and Save & Prosper Linked Investment Trust have tended to perform well because they are geared.

Caton points out that with the capital shares of a split capital trust, you increase your capital gearing. In a rising market these shares tend to outperform ordinary investment trust shares; however they are potentially very risky investments and in a bear market they do much worse than ordinary trusts. Symonds adds that with capital shares, "the broad rule of thumb is that they appreciate the market rise by about 2.5 times, so if the market rises by 5 per cent, you will see a rise in the assets of around 12.5 per cent."

But he warns investors to be careful in the selection of investment trusts just now. "If you think the market is cheap and is about to take off, buy capital shares, but if you are cautious because of the Gulf crisis, go for a large trust with a good spread of UK and international investments."

As for the other strong performers of the last ten years, the capital shares of split capital trusts such as M&G Dual Trust, M&G Second Dual

with the launch of Aberdeen Smaller Companies Trust, Asset for Asset.

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Asset will have a portfolio of between 80 and 120 smaller companies. It is managed by five former fund managers from Ivory & Sme, who broke away to form their own group called Aberdeen.

Smaller companies proved a popular field for unit and investment trusts in the mid-1980s when they were outperforming larger companies. But they have been hit hard in the last two years by high interest rates and the economic slowdown. The trust managers believe that small company shares have been marked down so much that they now offer good value.

Sara Webb

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GLOSSARY

INVESTMENT TRUSTS are also known as closed end funds and the price of their shares are influenced by supply and demand, just like the shares of other companies.

The Net Asset Value (NAV) is the total value of the investment trust's underlying investments and cash, minus its liabilities, including loans and preference shares. You should look at the difference between the NAV (expressed per share) and the investment trust's share price: if the share price is above the NAV it means the shares are trading at a premium; if below the NAV, they are trading at a discount.

When investment trusts borrow money in order to buy shares the effect on the assets is known as gearing: if the assets acquired with the borrowed money appreciate in value, the shareholder's gain is increased, but if the assets fall in value, the shareholder's loss is proportionately greater.

There are different kinds of investment trusts. Trusts with ordinary shares offer investors income (in the form of dividends) and capital growth.

Split capital investment trusts offer a range of classes of share. The original split capital trusts, which date from the 1960s, offer a choice of income shares and capital shares. If you hold the income shares, you receive all or most of the income earned by the trust, as well as a predetermined capital return when the trust is wound up. With the capital shares, you receive little or no income, but when the trust is wound up you receive what remains of the assets once the income shares have been paid out.

In addition, there may be zero dividend preference shares, which offer a fixed capital return when the trust is wound up, but have no entitlement to income, and stepped preference shares, which offer dividends that increase at a set rate plus a fixed return when the trust is wound up. Warrants give you the right to buy further shares and are often given free at the time of a new issue; they then assume value and can be traded separately.

The second part of this series on investment trusts will appear next week.

Average Building Society Higher Rate £145.70†

Average Life Fund £161.94†

Average Investment Trust £241.51†

Average Martin Currie Investment Trust £277.98*

*Source: Martin Currie Investment Management Ltd based on Mipsol five year statistics relating to Scottish Eastern Investment Trust plc, Securities Trust of Scotland plc, St. Andrew Trust plc, Martin Currie Pacific Trust plc with income re-invested.

†Source: Mipsol. Based on £100 invested on 1 July 1985 for five years with income re-invested.



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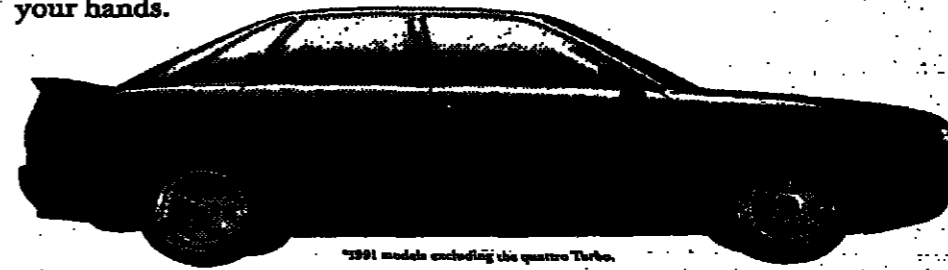
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FINANCE & THE FAMILY

Caroline Garnham suggests tax-effective ways of passing large sums of money and other bequests to children and grandchildren

Christmas giving for the generous at heart

CHRISTMAS IS coming and you may be thinking about giving money – possibly a lot of money – to your children or grandchildren. How can you prevent the taxman benefiting more from your generosity than he needs to?

Take Mr Jones, who wants to give his family as much as he can this year, before a Labour government possibly makes it more difficult. He sold his business in 1988 and has recently moved from an old rambling house to something more manageable. He and Mrs Jones want to give generously to their children but do not want their hard-earned money squandered or their gift unappreciated. They have three children, all with very different circumstances.

David, the eldest, is a lawyer. He is married with three children and is financially secure. Martin is a photographer. He is married with two children, and is in financial difficulties. Catherine, the youngest, is a director of a small public company and is unmarried with no children. She is financially secure but emotionally volatile – no-one would be surprised if she gave up work to travel around the world.

Mr and Mrs Jones would like to give £200,000 and paintings worth a total of £100,000 to each child. But first they discuss the various alternatives with their tax lawyer and then with David, Martin and Catherine.

David feels he has no pressing need of extra finance and he has already made provision for his children's education. He is, therefore, very attracted to an Offshore Lockup Fund. This is an Accumulation and Maintenance Trust with trustees resident in a tax haven such as the Channel Islands, Isle of Man, Bermuda. The advantages of an Offshore Lockup Fund are:

- Investment Freedom: the trustees are not restricted in their investments and can invest in anything from paintings to property, equities to bonds.
- Income tax deferral: income can be accumulated and reinvested tax free provided the income is paid from non-UK sources. It only becomes taxable if it is paid to any of David's children while resident in the UK, but they would be first entitled to a nil rate band of £3,005 and a 25 per cent lower rate band for a

further £20,700.

- Capital gains tax deferral: any gains made by the trustees on a sale (or gift) will not be chargeable to UK capital gains tax because the trustees are outside the UK tax net. They will only become liable to tax when capital payments are made to either of David's children while resident in the UK (income is always treated as being paid out first).
- Inheritance tax exemption: gifts into the trust will be free of inheritance tax provided Mr Jones survives for seven years.

■ Control: David's children will not be able to demand the

settlement all the income paid out to the two children will be taxed at their income tax rates, in other words with two personal allowances of £3,005 and two lower rate tax bands of £20,700 each.

Such a trust also has no capital gains tax deferral. There are, however, two choices of capital gains tax rates depending on the type of trust chosen. For example, if Mr and Mrs Jones set up an Accumulation and Maintenance Trust, the rate of tax on gains made by the trustees would be 35 per cent. The normal advantages of an Accumulation and Maintenance Trust are:

- the income in the Trust can be accumulated. However, Martin and June cannot see themselves wanting to accumulate income;
- flexibility to pay the children different amounts at different times. Again, Martin and June feel this would be of minimum advantage.

The alternative type of trust is a non-discretionary trust, known as an "Interest in Possession Trust" or "Fixed Share Trust". Although less flexible, this trust taxes the trustees on capital gains at only 25 per cent rather than 35 per cent.

Mr and Mrs Jones found discussing the matter of a substantial gift with Catherine far more difficult than with their other children. Without a husband and family, Catherine's objectives tend to be more short term. However, the Jones want to be fair to all three children, which means giving her the same amount at the same time as her brothers, albeit with the same restrictions.

In Catherine's case, they would rather she did not spend the money on her travels, but saved it for her children (if she decides to have any in future).

They also want to preserve the tax advantages of a Grandchildren's Settlement.

They decide to set up an Interest in Possession Settlement for Catherine, with an overriding power of appointment given to the trustees, to enable them to switch the fund into a trust for her children at some time in the future. Furthermore, with Catherine having little present need for income, the trustees invest for capital growth.

The advantages for Catherine are that this provides her with investment freedom, capital gains tax deferral, inheritance tax exemption (provided Mr Jones survives seven years), and control.

What about the non-monetary gifts? Giving each child £100,000 worth of pictures could land Mr and Mrs Jones with a capital gains tax bill. Most of their pictures, especially the Impressionists, have soared in value since acquisition and certainly since 1982. Tax would have to be paid at 40 per cent, except on one picture worth £20,000 owned by Mrs Jones which she had bought for about £50,000. Since she has no income she will be taxable on the first £20,700 of chargeable gain at 25 per cent and at 40 per cent only above that.

There is also the problem of insurance. Neither Martin nor Catherine are able properly to protect their paintings in their houses and without proper protection the insurance would be prohibitive.

Finally, it is decided that all the paintings would be given to the trustees of their respective trusts. David will keep his own paintings at home, which his trustees are happy to allow, provided he keeps the paintings insured personally. Catherine also wants her trust to keep her paintings at David's house on the same basis, with David paying the insurance.

Martin and June, however, cannot see themselves ever wanting paintings (since Martin prefers his own photographs) and June has a dread of being burgled, so they are happy for their trustees to sell their paintings to David's trust for £100,000.

Once all the family discussions are over, the transfers have been made, and the trusts set up, the family can settle down for many happy – and hopefully financially secure – Christmases to come...

Better rights for borrowers

THE COMING months should bring considerable progress in the direction of clarifying borrowers' rights – an area that has been swirling with controversy during the current period of high interest rates.

The first step will come next Thursday when the clearing banks unveil the draft of their long-awaited voluntary Code of Banking Practice.

This has been in the works for over a year, specifically since the Jack Report on banking services called for improved measures to protect consumers of banking services. This call was subsequently reinforced by John Major while he was still Chancellor. He threatened the banks with legislation if they failed to clean up their act themselves.

Among the abuses he listed were high-pressure marketing of loans, unsolicited offers of credit, direct mailing, and lending to minors.

A committee under Sir George Sturges, the former deputy Governor of the Bank of England, has now completed the Code. It is expected to lay down clear procedures for the

marketing of loans, and for defining borrowers' rights, as well as customers' rights in other areas.

Later next year, Sir Gordon Borrie, the director general of Fair Trading, will complete a review of lenders who impose "extortionate terms" on their borrowers. It will be the first review of its kind for more than 20 years, and the first since the Consumer Credit Act

came into force in 1974.

Sir Gordon will be looking to see whether the Act provides adequate remedies for people who think they are being ripped off by their creditors. But the inquiry will not cover "loan sharks" in the strict sense because they are unlicensed lenders who are operating illegally anyway. The OFT is also the licensor of the lenders and brokers of consumer credit, and it will be looking at the licensed market.

One reason for the review is that very few people who think



Sir Gordon Borrie: looking at 'extortionate lending terms'

they are being extorted take advantage of what legal remedies are available. It is not clear whether this is because people do not know about them or because the courts' powers are inadequate.

Any personal borrower can go to the Crown Court and ask for a ruling that their credit agreement is extortionate, and seek relief from high interest rates. Quite what amounts to extortion is not clear. But the Act outlaws loan repayments which are "grossly exorbitant" or "otherwise contravene the ordinary principles of fair dealing."

The banks have always denied that they charge extortionate rates; they usually point the finger at providers of store credit and "wrap-up" loans where real rates of interest can run to 40 per cent or more. Their Code of Practice will try to reinforce their claim to be fair dealers, but the OFT inquiry should establish if widespread malpractice is among consumer lenders, and how borrowers can better fight back.

David Lascelles

DIRECTORS' TRANSACTIONS

THE WEIGHT of buying by directors over the last few months has indicated what they felt about the stock market. Despite the recent post-Thatcher rise, director buys have continued to outweigh sales by a significant margin.

The chairman, chief executive and finance director bought a total of 85,000 shares in Davy Corporation, the engineering company, following interim results last week. The shares have fallen from a high of 260p in the spring to 61p, bouncing to 89p following the directors' purchases.

Another company to have performed badly is Betacom, which principally markets telephones and auxiliary products in the UK. The company was floated off from Cannon Street in 1988 with the directors holding a negligible number of shares as a result. All the executive directors have now bought stock with Dennis Baylis, who sold out to Cannon Street, buying the bulk. Alan Sugar, of Amstrad, has also announced a holding of 8 per cent.

The company in which directors' sales really stand out is Tibbet and Britten, a distribution company specialising in the clothing and retail industries.

The directors have sold considerable quantities of stock at around the current share price level both last week and earlier this year. However, the directors still have more than 8m shares in the company.

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Boots	800,000	2,004	7*
Bostrom	16,125	25	1
F & C Eurotrust	4,000	14	1
Gen (S S)	20,000	16	1
Goodhead Group	1,333,333	1,000	1
Jayco Group	10,000	21	1
Majestic Investments	71,687	167	1
Marks & Spencer	135,446	312	2*
Microgen	210,084	250	1
Portsmouth Pops	84,000	153	1
Radcliff & Colman	10,000	128	1
Smith (W H) A	4,000	16	1
Tibbet & Britten	480,000	1,360	6
Unilever	17,000	107	1*
Warburg (S G)	25,000	78	1
PURCHASES			
Automated Security	258,800	462	2
Betacom	745,000	104	5
British Dredging	10,000	11	1
Burton Group	65,000	57	2
Cannon Street Inv	12,000	10	1
Davy Corporation	85,000	96	3
Ind Int Newspapers	100,000	225	1
Gen (S S)	30,000	16	1
Kewill Systems	32,500	54	2
Lep	10,000	14	1
Majestic Investments	71,687	167	1
Microgen	210,084	250	1
Mid-States	75,000	42	1
Neespend	100,000	28	1
Rutland Trust	1,350,000	158	1
Severfield-Reeve	60,000	22	4
Unichem	70,000	81	2
Wellcome	5,000	20	1
Whitegate Leisure	875,000	78	3
Willshaw	250,000	17	1
Wood (S W)	317,500	79	1

Value expressed in 000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 19-23 November 1989/1990.

Source: Directus Ltd, Edinburgh.

CP 11/10/150

BRIEFCASE/COMPUTING

Guess who pays for income tax delays

IS the Inland Revenue entitled to levy interest on past tax outstanding when responsibility for the delay in its collection can be laid at its door? As assessment for 1984-85 was raised on me in September 1987 by one inspector under schedule D, it was agreed that this was incorrect. Nothing happened for another year when the inspector handling schedule D sent an amended assessment showing an overpayment, to be set off against schedule D.

The schedule D inspector took no action until September 1990 (and I had certainly forgotten the whole thing) when he again demanded the original 1987 amount without any adjustment. I promptly examined the figures, visited his office, and within a few weeks he had amended his figures to within a few pounds of my figure. I paid but a few days later received a separate bill for interest from October 1987.

There is no doubt in my mind that the schedule D file was dead from 1987 to 1990, not even revived by the schedule E Inspector's action in 1988, and that the file was eventually revived in 1990 due to a query on another matter which I had to raise.

Unfortunately, you have not given us many facts to go on. When you gave notice of appeal against the 1984-85 schedule D assessment in September 1987, you presumably also applied for consent to postponement of payment of part or all of the tax demanded, pending determination of the correct figures.

As you did not say how much you applied to postpone, we take it that you mean that you applied for consent to postpone payment of the whole of the tax demanded. Since such a postponement application must be supported by a statement of the grounds on which postponement is sought, we take it that you were of the opinion at that time that you had in fact not sent schedule D tax liability for 1984-85 and that that is what you stated in your application.

The notes which accompanied the assessment notice warned you that interest would run from 30 days after the date of the assessment notice, but presumably that did not trouble you at the time - because you felt confident that the inspector would eventually agree that there was no schedule D tax to be paid for 1984-85.

Since this proved to be wrong, you are indeed liable to pay interest from 30 days after the issue of the notice of assessment (in accordance with section 86(3A)(b) of the Taxes Management Act 1970, as retrospectively amended by section 156 of the Finance Act 1988).

I have placed the responsibility for making anticipatory tax payments upon the taxpayer, so anyone who waits for the Inland Revenue to make the running is likely to end up with an interest charge.

Of course, the rate of tax charged on late payment can work out lower than the effective rate charged on an overdraft - so delaying tactics can sometimes be worthwhile, as can a decision not to prod the IR into prompt action over an appeal-and-postponement-application.

Divide and sell

I HAVE a house in the UK which I purchased in 1980. In 1988 I received planning permission to divide it into two parts. In 1989, I received further planning permission to divide one of these parts into two, although I have not yet acted on this. I thus have (potentially) three houses which I intend to sell. I moved overseas in 1989.

Can I fund the building costs I incurred in 1988 in doing up one of the houses for CGT relief? If I sell the houses one at a time can I elect to nominate the one I am selling as my main residence, and thereby avoid CGT? And if so, is there any time requirement between selling the houses?

If the sale contract is made in a tax year in which you are neither resident nor ordinarily resident in the UK, there will be no CGT liability. Even if the sale contract is made before the end of the current tax year, you may escape CGT by virtue of extrastatutory concession D2, which says (inter alia): "when a person leaves the UK and is treated on his departure as not resident, and not ordinarily resident in the UK, he is not charged to capital gains tax on gains accruing to him from disposals made after the date of his departure".

Ask your UK tax inspector for the following free pamphlets: IR1 - Extrastatutory concessions; IR20 - Residents and nonresidents; liability to tax in the UK; CGT14 - Capital gains tax: owner-occupied houses; CGT14 - Capital gains tax: introduction and CGT15 - Indexation allowance: disposals after 5 April 1988.

Flat rate taxation

IN 1989-90 I had a house converted into flats which are now let furnished. My son worked on the project as an electrician and was paid for his work. The conversion was financed partly by savings,

partly by a loan raised by my son. The loans are still outstanding and are serviced by the rents.

The rent from one of the flats goes to my son to service his loan. Does the rent from this flat represent income for which my son is liable for income tax or a gift from me to my son for which I am liable for income tax?

I would prefer to make it a gift and pay the tax myself. The property is in my name and I am treating the income as investment income under schedule D.

Since your son has no beneficial interest in the property, the whole of the rental profit is assessable as your income. Your tax inspectors' office will have a free explanatory pamphlet on the taxation of income from real property: IR27. You are entitled to tax relief on the interest on your loan, up to the amount of the case VI assessment each year.

Your son is not entitled to any tax relief on his loan interest. From what you say it appears that there is an agree-

His word is his bond

UNTIL RECENTLY, we supplied goods to a customer on a regular basis, and all orders were given verbally, and on the understanding that we would hold certain amount of stock, to draw off as and when required.

Since April we have tried repeatedly to persuade the customer to collect and pay for the goods ordered. We have now sent him an invoice, which he refuses to pay, on the grounds that it was a "Gentleman's Agreement" and that legally he was not liable. We find that hard to believe, is he right. His business is not a limited company.

It would appear that you have one or more oral contract(s). There is no reason in law why you should not enforce such a contract. The only reason why oral contracts are seen as difficult to enforce is because of the inherent difficulty in establishing that they exist and what the precise terms are. If these are clear, issue a writ (or summons in the County Court) for payment.

Passport to investment

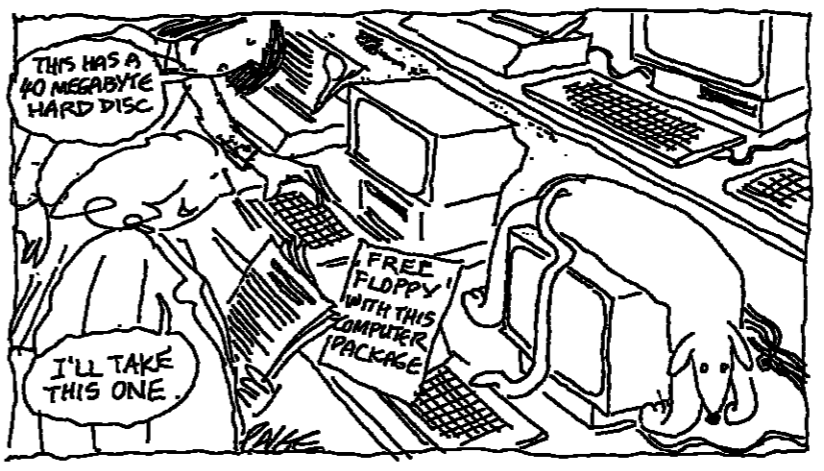
I AM receiving conflicting information from several building societies regarding the following: can a non-resident UK passport holder invest in accounts yielding gross interest? Could there be any tax liability if such investment were possible?

The answer to your first question is YES, provided that he or she is not ordinarily resident in the UK (by virtue of regulations 6(1)(a) and 6(2) of the Income Tax (Building Societies) Regulations 1989).

The answer to your second question is a qualified YES, subject to any double taxation agreement between the UK and the country in which the investor is resident, and subject to extrastatutory concession B13. The free booklet of extrastatutory concessions IR1 (with supplement), is obtainable from tax inspectors' offices or from the Inland Revenue Public Enquiry Room, Somerset House, Strand, London WC2R 3LL.

Barbara Conway continues her series on computers with a look at micros essentials

Plan to expand and say thanks for the memory



DECIDING to install a business computer system is one thing but choosing the right micro is quite another.

Price alone is too rough a guide. A small business which intends to grow should have a system which can grow with it, and that means an initial investment of about £3,000. For that amount of money you should expect certain minimum requirements.

An adequate memory is essential. The minimum for continued use is 1 megabyte (mb). Computer memory is measured in megabytes and kilobytes (kb) with each kilobyte equivalent to just over 1,000 characters of memory - a character is an individual letter or figure - and there are 1,000 kilobytes to a megabyte. Ten years ago 32kb on a desktop micro was amazing now 1mb sounds over-generous.

The most useful business programs eat heavily into the memory and even a one-page business letter can easily absorb up to 2kb. The likelihood is that you will want to expand the memory. This is a simple operation.

As well as its internal memory, which is cleared every time you switch off, the machine will need more permanent means of storing the information it uses. All basic business micros come with at least one built-in "floppy" disk-drive, into which the user can insert computer disks to feed information into the micro and to save the results of work sessions. New software is usually on robust 3.5 inch disks, although the more vulnerable 5.25 inch versions are still available.

The other storage essential is a hard-disk drive, which fits inside the machine and keeps programs and files instantly available as you need them.

Floppy disks have a limited capacity, from 720kb up to just over 4mb on the newer machines, but a hard disk can store hundreds of megabytes and saves a great deal of time switching disks in the floppy drives. Since you will want to keep your most-frequently used programs on the hard-disk, the minimum practical size is 40mb.

In a later column I shall deal with how to make the most of hard disks, and how make sure that you have regularly updated copies of your own data files (addresses, accounts, correspondence) on floppies in case of electronic disaster. Computer equipment is fairly reliable, but Murphy's law still operates.

IBM also offers a complete cut-down 286 system, the PS/1, with 30mb hard disk, 24-pin printer and a large bundle of software for about £1,200. It looks an attractive package, but expansion is both limited and fiddly, and for a few hundred pounds more, you can get better longer-term value elsewhere.

A couple of micros which look good value for money, both are fast performers with straightforward expansion options and 40mb hard disks, are the Amstrad PC 386SX (£1,500) and the Dell 330LX (£1,600). The latter may be worth particular attention since, as part of its direct-sales policy, it also delivers an excellent support service including a 12-month on-site warranty. Amstrad will include the DOS operating system (the computer's basic management programme) with the package, while Dell will install it for an extra £50.

If you want one of the two main systems not compatible with IBM which I mentioned two weeks ago, two machines to look at are the Commodore Amiga 3500 and the Apple Macintosh LC. Although the list price of a basic Amiga with 1mb of memory but no extras is around £1,300, it is possible to pick up the computer with a 40mb hard disk and colour monitor at discounted prices of around £1,500. At that kind of price you will probably have to pay extra for basic software but good-quality Amiga software tends to cost less than its PC equivalents and should still keep the total well within the budget limits.

True IBM compatibility can be added, in the form of an expansion card (an electronic circuit on a small board which plugs into the machine) for around £250, giving the equivalent of two business computers for just over the price of one. As Amigas get more of a grip on the business market, on-site warranties should also be easier to find.

The Mac LC occupies the middle range of the new breed of Apple computers which, for the first time, bring Macs, with an operating system acknowledged even by rivals as easy and fun to use, within small business budgets.

The LC comes with 2mb of internal memory and a 40mb hard disk and has a list price of around £1,400 with colour monitor. At the moment Mac software is on the pricey side - since the machines themselves used to cost over £3,000 cut-price programs were hardly relevant - but that should also change now that the hardware is affordable and is being aggressively marketed.

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Despatches



Nicholas Woodsworth finds exotica and extremism in Brixton market

Business is brisk at scores of stands selling the inexpensive items of kitchen drawer and bathroom cabinet. But nowhere are the crowds quite as large as outside shops and stalls that peddle such local delicacies as Afro Food Centre and Back Home's Tropical Foods. Here are things unknown of at the Marks and Spencer just down the road: twisted cassava roots and knobby brown yams; smoky-blackened dried fish and salt-whipped oat; coconuts and cola nuts; guinea peas, plantains and okra; choco, sawa-sawa and fufu.

Now is food the only Afro-Caribbean exotics sought by shoppers. At the entrance to the cast-iron and glass-covered

The power sought these days in Brixton is not spiritual, but temporal and political. On the street, its nature is as extreme, and sometimes as irrational, as the kind of difficulties it seeks to attack. In front of the Brixton Tube station, dread-locked militants of the Black Unity and Freedom Party demand an end to capitalism and imperialism, and the overthrow of the racist state. They will tell you why Stalin is better than a Gorbachev, and why Saddam

Only education can enlarge Brixton's economic franchise, increase its income and give it the material things that come with the higher standards of living that most blacks here only dream of - nice homes, new cars, or modern shopping malls. These are not changes that will come about tomorrow. In the meantime, Brixton is likely to continue to do much of its shopping from market barrow and stall.

True

TOP INDEPENDENT SCHOOLS
King Edward's, Birmingham
Manchester Grammar School
St Paul's School
Winchester College
Eton College
Westminster School
The Haberdashers' Aske's
Stifford Grammar School
RGS, Newcastle
10 Leeds Grammar School

Tom Fort makes friends with the aid of a famous tackle company

The reason I wish to sing the company's praises is that when I heard, in the spring, that I was planning a fishing trip to Eastern Europe, I decided that I needed some help. Hardy sent me a consignment of his wares — not for me, but for those who were to look after me.

So it was that, alongside the tent, the rollup mattress, the camping stove and a lot of other more or less useless clutter, I took a few fishing clothes. I was three Hardy Smugglers — the fishing rods for travelers, which breaks down into six pieces, three down three up, and three fly kits were

gratefully received would be to understate the case. The graphite of which a Smuggler is made is hardly heavier than a handful of corn, and yet it has the power to deliver a fly across a river, and to command respect from a sib trout. A man who has only known cane or glass fibre rods has a strange expression on his face when he handles such a thing, compounded of wonder and joy.

I gave away one of these rods in Poland, one in Czechoslovakia, and the last in Rumania (a week later my own 20-year-old cane trusty splintered the middle). In each case, the recipient had a more or less servicable fly rod. But this graphite wand was something else. They had heard of such things, but had never touched one. My own fear was that they would consider that

Many Polish and Czechoslovak anglers have managed to obtain rods made in the West, mainly cheap glass fibre ones. Some also have German-made reels, although the majority are either Japanese or Chinese. There are also some very old and dreadful pieces of tat produced by domestic factories.

At a sports shop in North Bohemia I inspected a representative stock of tackle. There was one adequate German rod for sale, and a frightful fibreglass stick made in Czechoslovakia. There was an English fly reel, costing two months average salary, and a worthless alloy specimen turned out locally. The only fly line available was also Czech made, of a quality to drive a man to skivvies, or the worm.

But what the fishermen of Eastern Europe lack in available equipment they make up for with native ingenuity — particularly in the matter of

All the fishermen I met longed to be able to possess the best. The difficulty, of course, is money. When I told them what a smuggler cost they shrugged their shoulder at the hopelessness of it. I was talking about the best part of half a year's earnings.

On the other hand, there is potentially a rich market out there. They have the rivers, the numbers of fishermen, and the passion in plenty. At the moment the cash is lacking. But I trust that, one day, shall feel as ill equipped as the Polish Sun or the Romanian Mures, as I tend to do now on the Berkshire Kennet.

[illegible]

1984

IMPORTED AND BOTTLED BY

Charles Heidsieck

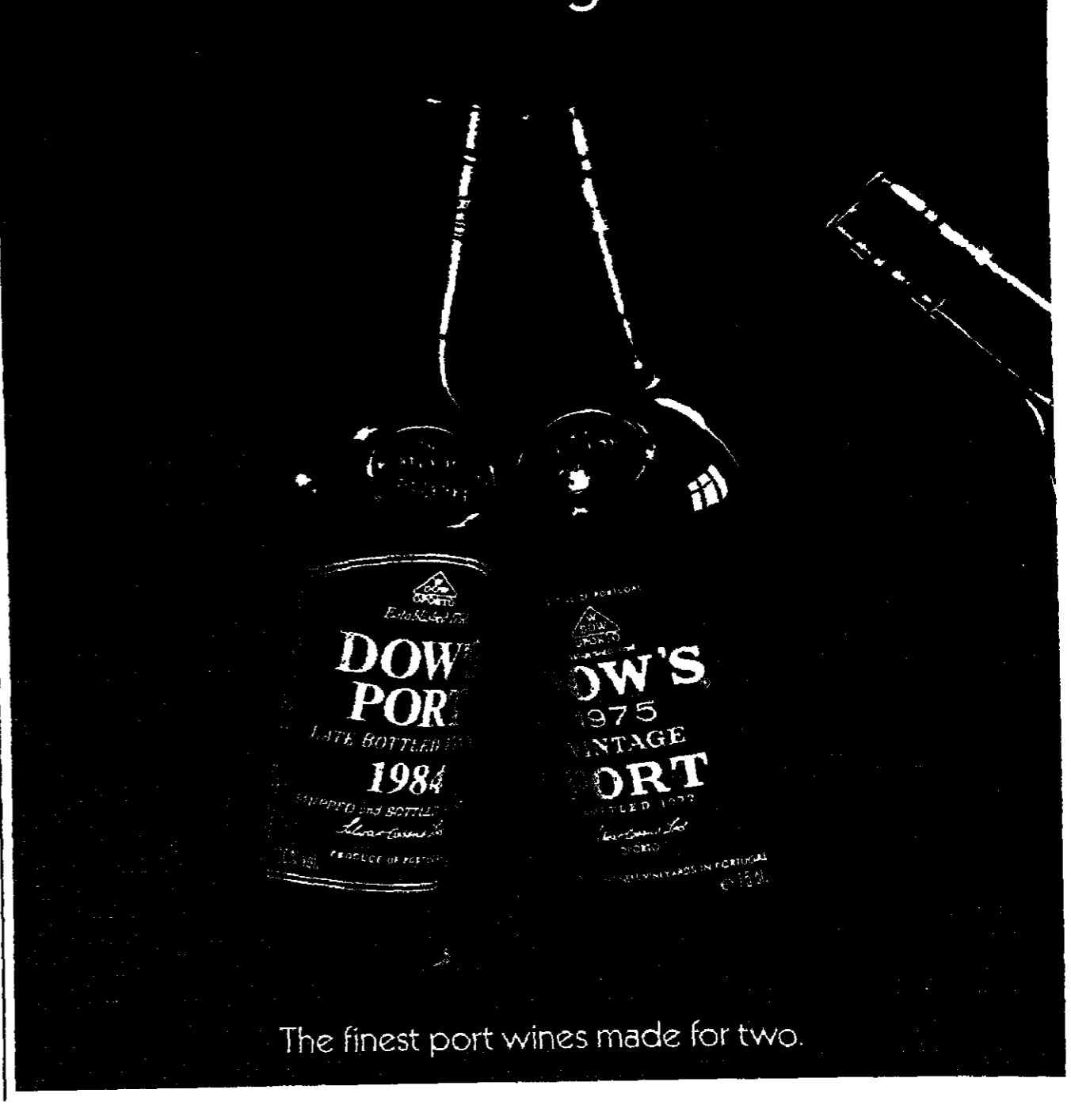
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have no time for gooseberries.



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HOW TO SPEND IT

The big names bounce back

Lucia van der Post on how three venerable old ladies kicked up their heels and found a new lease of life



TIME WAS when the grand classic names like Hermès, Ferragamo and Gucci were considered safe, sure and suitable for well-heeled matrons. Fashionable women or stylish youngsters were doing their shopping elsewhere: showing a leg in Chanel or Alaïa, jangling a piece of Saint-Laurent jewelry, sporting a belt by Barry Kieselstein-Cord. But these days all three are staging a comeback and once again producing the kind of must-haves for those at the cutting edge of fashion.

Gucci is now sought-after for more than just its louche loafers. Ferragamo's famous shoe-print scarf is thrown casually round many a fashionable neck

and the young and stylish long to own one of Hermès pukka Kelly bags.

All had come to realise that producing predictable classic designs of undoubted quality but with a certain inevitability was no way to build for the future. All three houses took their thinking to the logical conclusion and appointed design directors with proven track records to rejuvenate and innovate within the spirit of each house.

Hermès was the first to begin to put a slightly funky, witty spin on its own classic designs. When Jean-Louis Dumas, the current chairman of Hermès, took over in 1979 he put the injection of fun and vitality at the top of his agenda. He took the brave deci-

sion of appointing Eric Berge, then only 18, as design director of womenswear – and since then the house hasn't looked back.

A stream of fun and witty designs, often building on the themes associated with the house, began to emerge. The horsey and nautical motifs were put on to outrageous, over-sized braces. The classic scarf prints were reworked as skirts, shirts, blouses, and most striking, this season they emerge on a pure silk body-stocking.

Ties were given new life with more outrageous motifs – captains of industry and pillars of society clamoured for each new number, collecting them by the fistful – elephants and rabbits and this season's skiers, all £55 each.

In 1988 Claude Broet, who had been editor-in-chief at *Maria Claire*, took over from Eric Berge and the rejuvenation of the house has gathered pace. To all the old craft-based skills, the fine silks, the carefully worked leathers, has been added a more light-hearted, modern approach to fashion and fashion accessories.

Menswear is still based on fine leathers and wools, but is made in softer, more casual lines so that you can find a duffle coat in wool, whipcord and softest cashmere, a biker's jacket in soft leather, a scarf with the silky tie prints on side and pure cashmere on the other. There are leather purses shaped like fruits and shoes made from the silk scarf prints.

All over town are the signs that Hermès must have got it right – from the chain-stores to chic designer boutiques, all are offering the Hermès-style look at much more affordable prices. There are silk shirts with bold, swirling motifs, shoes with ditto and copies of the Kelly handbag everywhere. In the Hermès stores themselves the age of the customers is falling and world-wide profits have quadrupled in the last ten years.

Over at Gucci, they hope and think that the years of in-house fighting are over and that it is time to move forward. Maurizio Gucci – grandson of the founder, Guccio Gucci – who now runs the company and has an equal stake with Investcorp, a Bahrain investment company, took two critical decisions last year: first to limit distribution of Gucci products to Gucci-owned outlets (current essential strategy in the luxury goods market), and second to charge Dawn Mello, once president of New York City's upmarket Bergdorf Goodman department store, with restoring the allure of the once golden name.

"The first thing I did," says Dawn Mello, "was to put aside

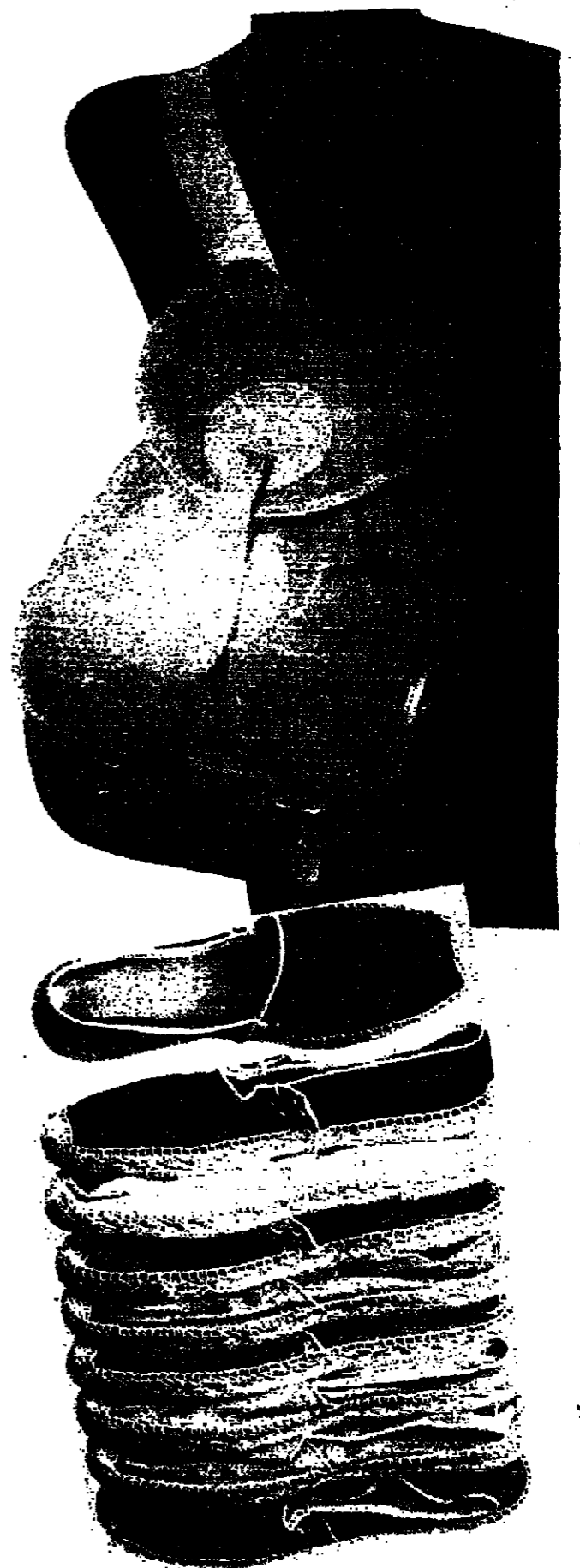
my preconceptions. I had thought I would come in and start to change things but what I found was that the archives were filled with ideas that were very modern and in keeping with today's life-style. I came to feel strongly that the original spirit of the house shouldn't be tampered with."

"I had originally thought that we would do away with all those GGs [the famous house logo] but I found that the essential core of Gucci design had a roundness, a voluptuous quality, that seemed to me to be inspired by the roundness of the G."

He decided, however, to be more selective in using the Gs and to use them only when appropriate. The distinctive green and red webbing which in later years had come to be machine-made and cheapened is once again woven on handlooms, the true red and green colours restored. It will be used selectively on certain sporty goods. The famous loafers, on every fashion editor's list of must-haves, is also once again to be hand-stitched – the price will have to increase but the quality will be restored.

As well as improving quality, she is also reworking traditional Gucci themes. "We found that if a bag is valid in one size we can take it up in scale or down. For instance the well-known squashy Hobo or Mesaluna handbag [which she herself as a young girl did without lunch to save up and buy] is going to be scaled up for next spring which will give it a certain swagger. Bamboo, another classic design we found in the archives and have reintroduced with immense success, we have also scaled down and made in satin for evening."

Other updating is done through the use of colour – the loafers, for example, once

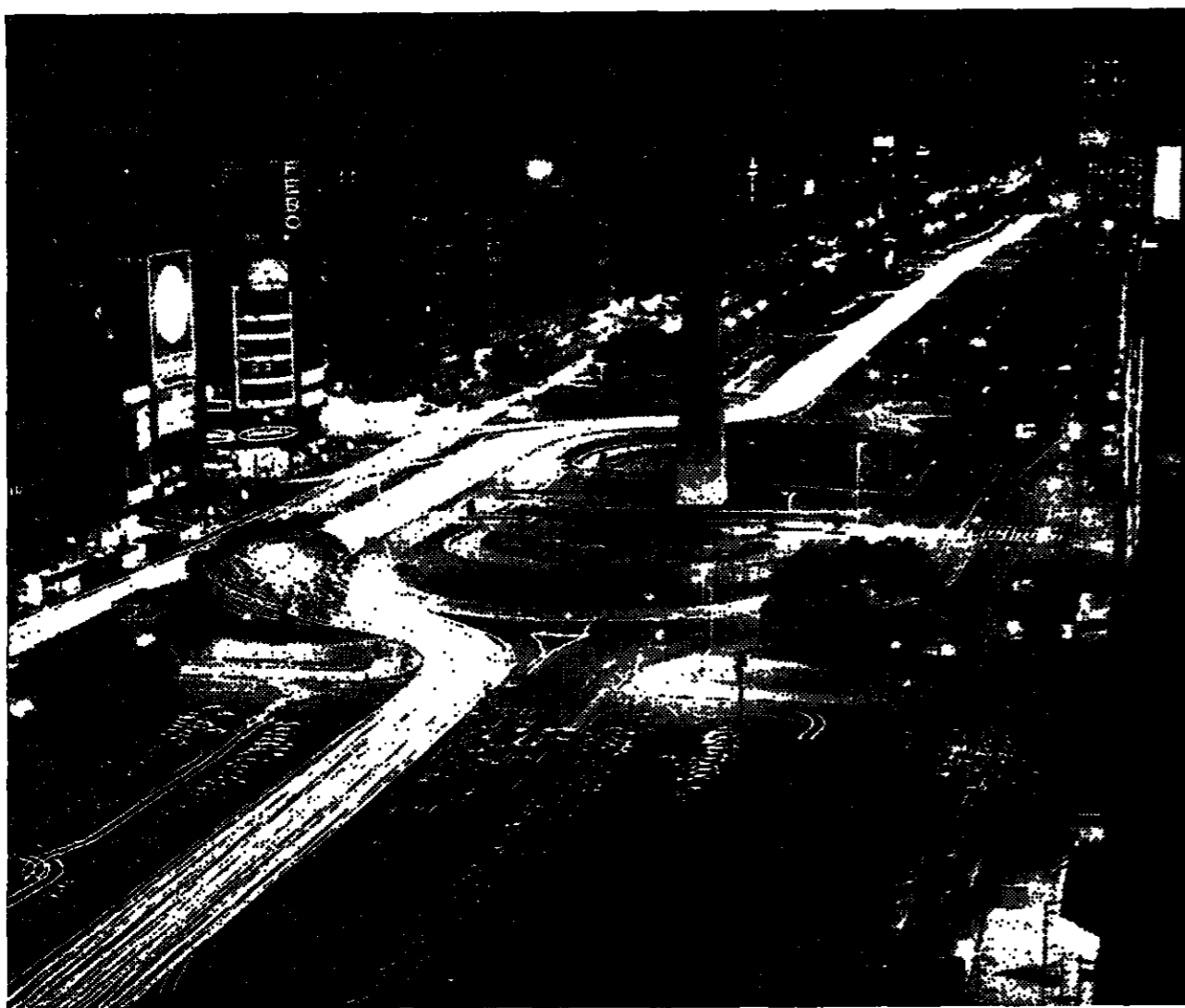


only available in black, tan and brown are now made in a host of mouth-watering shades, including bubble-gum pink and butter yellow, all coloured with vegetable dyes instead of chemical ones.

At Ferragamo, thinking has been along similar lines – how to retain the class and quality and yet introduce wit and sparkle. They, too, looked to America for some new design direction and hired Stephen Slowick from Calvin Klein.

Just as Gucci and Hermès use their most famous motifs, the horsey and nautical themes, in funky, witty ways, so Ferragamo took the shoe motif and made its now famous shoe scarf which, at £110, is still a best seller. Gilded shoes these days appear on jackets, hang from bracelets, dangle from ears, are embossed on buttons, hold together handbags and generally serve as the Ferragamo logo – witty and jollier by far than the by now hackneyed idea of initials.

So today these grand, old stalwarts of the fashion world find themselves in some very unlikely company – Hermès silk prints push-up velvet leggings, Gucci loafers walk out with 501s, Ferragamo scarves lend colour to an Alaïa dress. It's all good, clean fun – and each lends something extra to the other.



There is something bright on Argentina's horizon.

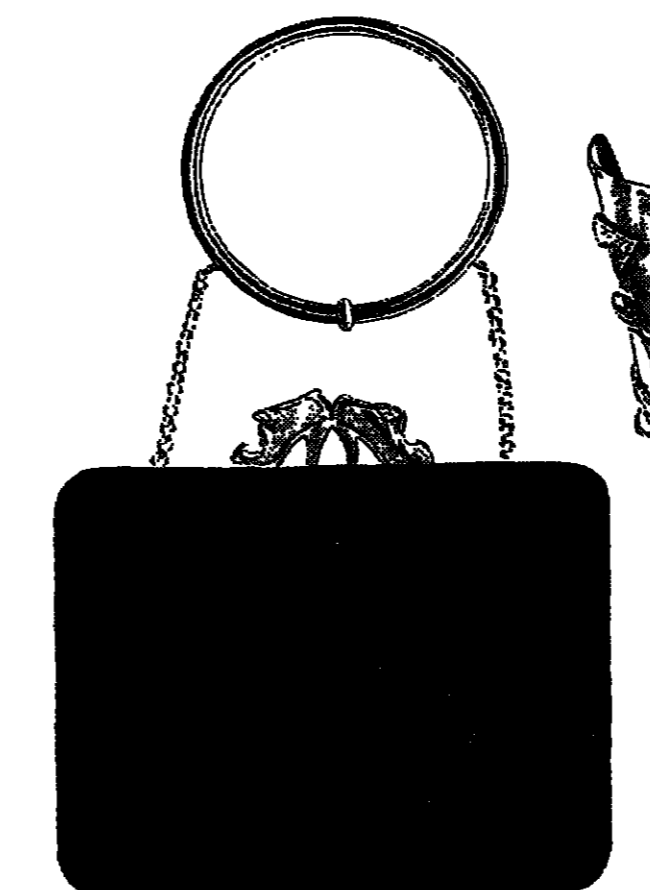
Besides the twinkling lights of its pampa villages or in its citie's striking modern skyscrapers, a new bright light blazes on Argentina's horizon. It's the warmth and energy blazing in the hearts of the Argentinians people who are building a great nation.

Argentina is still the generous and community-spirited nation it always has been. And it's also a reliable partner offering outstanding possibilities for economic development and investment. We hope you'll visit and see for yourself a bright light that is bound to shine forever.

Argentina
A country where there is so much to see and investment opportunities awaiting



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Wide cuff bracelet in gift, again based on the famous archive shoe motif which Ferragamo has used so successfully on its scarves, handbags and jewellery. £250 from Salvatore Ferragamo, 24 Old Bond Street, London W1

Black suede evening handbag with gift clasp based round the Ferragamo shoe. £245 from the Ferragamo boutique. It also comes in black, red or tan lizard, at £245 or in fuchsia pink, deep purple, scarlet or black satin duchess at £150.

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HOW TO SPEND IT

A glittering choice to tempt the sharp-suited

Lucia van der Post goes in search of classic jewellery and finds a dazzling array of antique and modern pieces, both costume and real

THIS IS a year when jewellery has become more important than ever before. All those sharp suits with shiny skirts seem to demand a sizeable brooch and some extravagant earrings. This does not necessarily mean the jewellery has to be inordinately expensive, though the days when costume jewellery was cheap are certainly gone forever.

Costume jewellery by named designers has soared in popularity and Maria Morola, who specialises in selling decorative costume jewellery from 1900-1960 at her shop at 178 Walton Street, London SW3, reports that prices seem to be going up and up — pieces by named designers like Trifari, Schiaparelli, Miriam Haskell and Eisenberg are exchanging hands at prices that seem almost preposterous compared with just a year ago, but as Mark Twain said about land, they aren't making any more of it.

For modern costume jewellery which

as yet doesn't command the same prices the best sources, in my view, are the best department stores like Harvey Nichols, Liberty and Harrods, all of which have a truly splendid array. Of the smaller operators one of my favourite sources is Magsueta — she has a wonderful eye for the mood of the moment and exquisite taste. She has two small shops, one at 165 Draycott Avenue, London SW3 and the other at 20a Kensington Church Street, W8.

Ian Norrington is a good source of well-priced, conventional, classic real pieces. He runs a tight ship, with no grand shop, more of a showroom (you must make an appointment to visit) and a mail-order operation, so prices are keen. Brooches, one on pearls, the other on all sorts of jewellery and gift, are available free from 114 Jermyn Street, London SW1Y 6HL. Tel. 071-839-4702.

There are some for whom jewellery isn't worth having if it isn't real — they'd

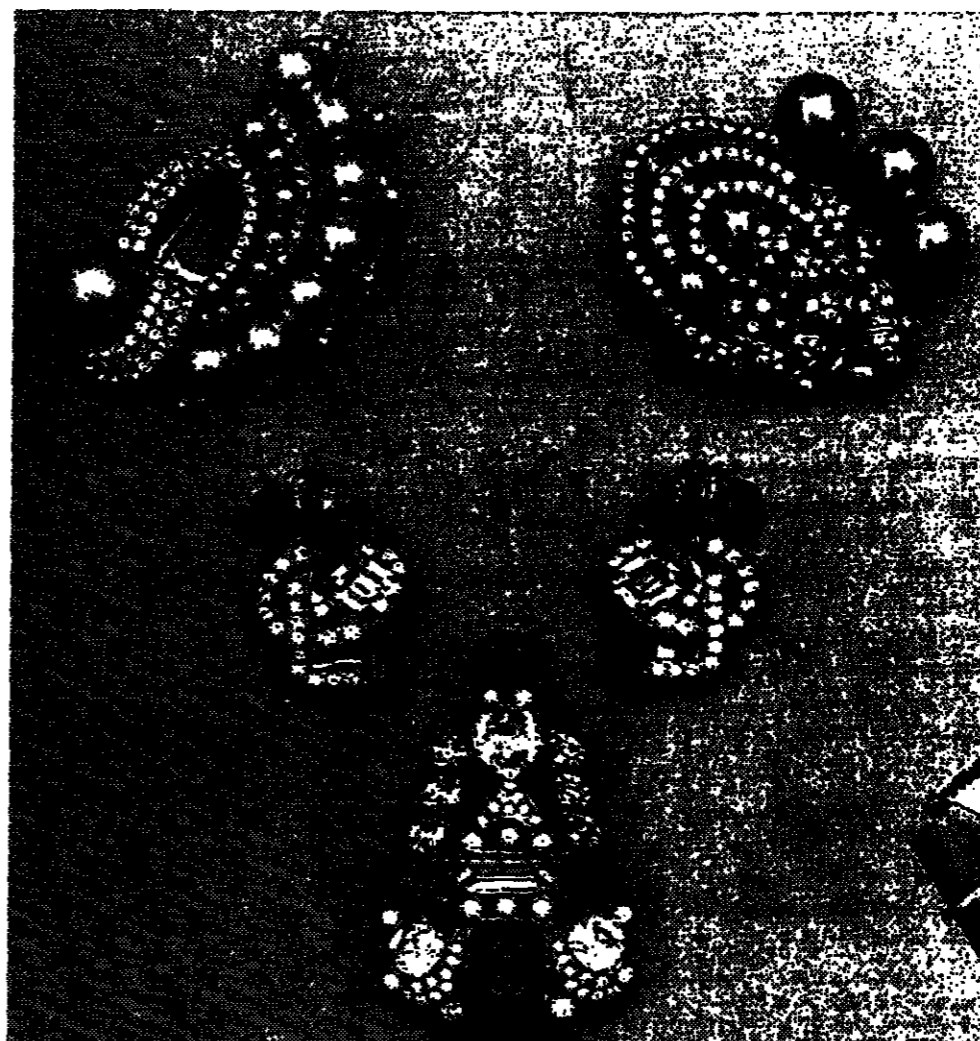
rather have a tiny little diamond or a sliver of gold than any amount of paste and diamanté.

I would direct their attention to Zales (the most upmarket of Gerald Ratner's jewellery group) where, if they keep their taste buds on full alert, they could find some surprising little numbers among the dross. For instance, the ever-popular Russian-style three-gold ring — a simple, classic design, much-loved by many, can be bought in 18 carat gold at £169 (with the Cartier imprimatur and snuggled into Cartier's distinctive burgundy box you could pay £235).

When it comes to the three gold bracelets Cartier does them in 18 carat gold at £1,780 for the thinnest bands (34 gm) and £5,100 for the thickest (94 grammes). At Ratner's and Zales (but make sure you go for the dead plain ones) they only do 9 carat gold but the prices are excellent — £94.50 for 9.60 grammes and £249.50 for 22.80 grammes.

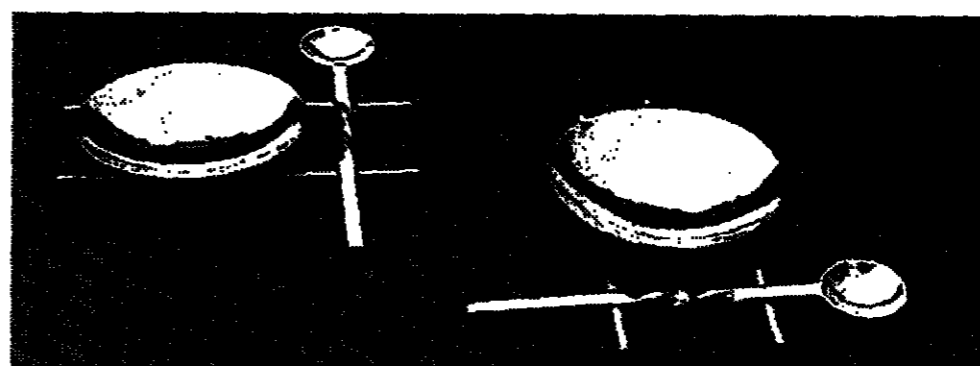


A selection of desirable diamond bows from Richard Ogden, 29/29 Burlington Arcade, Piccadilly, London W1, ranging in price from £2,900 to £4,500. A mail order catalogue is also available from the same address.



Spink & Son at 5, 6 & 7 King Street, has some delicious pieces of old costume jewellery for sale from £100 to £3,000. Photographed left are two sterling silver clips with diamanté, grey and white pearls, dating from the 1940s, £850 each. The set of three 1930s clasps with green stones and diamanté cost £450.

Cobra & Bellamy, 149 Sloane Street, London SW1 are currently selling a collection of 1950s and 60s jewellery belonging to the partners Tania Hunter and Veronica Manassis. Photographed below is a dramatic knot brooch with 9 carat gold wire, £120.



Philippa Merriman is a silversmith who will do pieces to commission. Her salt and pepper pots, photographed left, in sterling silver, are £100 the pair and can be obtained direct from her at Westfield House, West Road, Lancaster LA1 5PE (tel. 0524-382323). She also has a lovely selection of sterling silver spoons with leaf-shaped tops at £180 for a set of six.

IT SOMETIMES seems that the more you pay for a hi-fi system, the less you get.

Expensive British systems (British manufacture is a sign of quality at the top end of this market) are usually austere; lights are absent, knobs and sliders rare. Some even eschew frilleries such as on/off switches and tone controls.

This may in part be hair-shirt affectation, but it also reflects sound principles of design. The more circuitry you put into an amplifier, goes the theory, the harder it is to get good sound reproduction. The extra electronics interfere.

The expensive austere equipment comes as "separates": you build up your system from individual components of your choice, mixing and matching different manufacturers in your search for quality.

In High Street stores you will see little but "package systems": an amplifier, cassette deck, radio, CD and/or record player and, usually, loudspeakers. Package systems are convenient, easy to set up, match visually and take up less space than separates. They can give good sound quality, but most do not.

Unlike expensive separates, package systems bristle with buttons and flashing lights. A favourite is the spectrum analyser, a row of light bars each

Looking good, sounding bad

representing a part of the whole frequency of the music, from bass to treble. In a bass-heavy piece of music, the bass lights will be more prominent than the treble lights and so on. In effect, a spectrum analyser is trying to show you what sound looks like. This may be an interesting endeavour for an artist or poet, but not for a stereo system.

A spectrum analyser is often coupled with a graphic equaliser, a row of sliders, each controlling a small part of the frequency range. If you can be bothered to fiddle with it, a graphic equaliser can give greater precision than you could achieve with a simple tone control. It could help to compensate for an inadequate system, but it is better to buy a good system in the first place.

Among the other features which has found on package systems are a motorised volume control and a "listening-style selector".

On most systems with a remote control, you press a button and the volume goes up or down. This is simple and

works well. With motorised volume control you press a button on the remote control, a light on the system comes on, and the volume knob starts to rotate. This is a motorised volume control and it is a point-less gimmick.

The listening-style selector is a display which tells you the frequency of the radio that you are tuned to (useful), whether you're listening to cassette, CD, record or radio (pointless). It also flashes up "hello" when you switch on, "goodbye" when you turn off.

But why stop there? Why not a talking stereo system? A friend was given a talking alarm clock, which made such announcements as "Good morning, it's time to get up". An alarm clock has to make a noise, so a talking alarm clock may not seem too ridiculous.

A talking camera is a different proposition. Just as you compose the perfect wedding picture, or prepare to take that once-in-a-lifetime holiday snap, it announces that the light is too low or there is no film in the camera. This will do nothing

for your reputation as a photographer or a human being. What sort of person takes orders from a camera?

But the technology is available. So why should the manufacturers not make the leap to a talking hi-fi? The digitised voice of our favourite celebrity could greet us cheerily when we turn the system on, bid us a regretful goodbye when we turn it off, in between informing us that we are listening to a CD, a cassette or a record.

Perhaps one reason they have not done so is that it would destroy the illusion that the rows of lights and knobs work so hard to create. All these knobs, sliders and lights turn a stereo system into your very own Mission Control. You become the master of a complex piece of machinery. This is reinforced by the fact that package systems never have names, just a pseudo-military-scientific jumble of letters and numbers: S655D, A1 3000, JP233 — the first two are package systems; the last is the "area denial" bomb carried by RAF Tornados. If your stereo system could talk, and tell you simply how to operate it, this aura of exclusive mastery would vanish.

Simon Hinde

Simon Hinde is editor of Which? magazine.

Have Havanas had their day?



IT WAS NOT very long ago that the names of Davidoff and Dunhill stood for the very best in Cuban cigars — always hand-rolled, blended from a variety of at least five types of aged tobacco and adorned with the company bands of two of probably the most famous names in cigar distribution. They were the *creme de la creme* of fumigatory delight worldwide.

In the next few months, if not weeks, this will be no more. Davidoff, the Swiss-based tobacco products merchant, and Dunhill of the UK, have upped sticks and taken their custom away from their erratic suppliers, Cubatabaco in Havana, and shifted their activities to the neighbouring Dominican Republic.

In the past year, they have contracted with a number of specialist cigar makers to supply what might be called purpose-built, high-quality hand-made cigars that they will soon fill the market niche previously occupied by Havanas. Now some of these new cigars are beginning to hit western markets in a series of sneak previews.

Davidoff recently showed off in one of its US outlets one of its new Dominican Republic marques, and will be launching the full range of at least ten of its new cigars around Europe early in the new year. Some of the eight new Dunhill Dominican Republic types are now on the market in the UK prior to a full scale unveiling.

But how good will the new cigar be compared with the best available from Havana? Cigar smokers, especially the older generation, tend to maintain brand loyalty, and the notion that hand-made facsimiles are as good as the real article may prove to be the most difficult marketing hurdle for the two companies.

Nevertheless, production is under way and much of it is being carried out by expatriate Cubans, who are legion throughout the Caribbean basin. The La Romana site of the Dunhill cigars is part of a huge resort, sugar-growing and agricultural complex owned by the Cuban-born but US-domiciled Fajul family. Dunhill is able to claim that the climate and soil of the Dominican Republic is virtually the same as Cuba.

Certainly the brands that have trickled into the UK indi-

cate that Dunhill is on the right track. The Dunhill Valverdes panatela, for example, is one of the smoothest-drawing hand-made cigars I have smoked. It was John Croley, head of Robert Lewis cigar merchants on St. James's in London, the doyenne of Britain's cigar merchants, who once cautioned that a cigar that does not draw smoothly, no matter what its taste, should be thrown away instantly. He would have no such compulsion with the Valverdes.

One reason, says Dunhill, is that the hand rollers at La Romana have brought in a single mechanised vacuum device which tests the the cigar's draw-factor before the final wrapper is put on and it is prepared for sale. As for taste, the new Dunhills are probably the most flavourful non-Havanas on the market, although they lack the famous "heat" of a true Havana. This will probably be corrected in time as blending with different ranges of aged tobacco improves.

The decision for the shift out of Cuba by the two companies was not easily taken. Dunhill several years ago undertook a relaunch of its Havana brands, which it sold in Britain's better hotels and tobacconists. But this year it halted the effort because of erratic quality and deliveries from Cubatabaco, the state monopoly. This has never satisfactorily matched the dictates of post-1989 Revolution centralised planning with the requirements of the European marketplace. Cuban cigars still being officially banned from the US.

Davidoff's difficulties were more dramatic. It fell into a public war of words with Cubatabaco, saying it had received hundreds of thousands of Havanas that were not suitable for the Davidoff name. Cubatabaco countered with a claim that Davidoff charged too much for its cigars — often 50 to 100 per cent more than other marques. Behind the scenes, Cubatabaco tried to buy-out Davidoff, but was rebuffed. Links were severed earlier this year, and Davidoff's own-brand Cuban cigar stocks are expected to run out in the next few months.

But in the world of quality cigars, nothing is ever black and white. Dunhill in London operates probably the world's best humidor room, selling up to 20 other marques of Cuban

cigars which, despite supply problems, still dominate the market.

Davidoff's London shop, in addition to selling competing Cuban brands, such as Monte Cristo, Upmann, Romeo Y Julieta, Punch and Ramon Allones, is in the curious position of operating as a franchise of Davidoff Switzerland. This enables it to import Davidoffs from Cuba, whereas the parent company cannot. At some point a legal problem will arise. So far, Davidoff UK is bound only to limit its own-brand sales to the UK market.

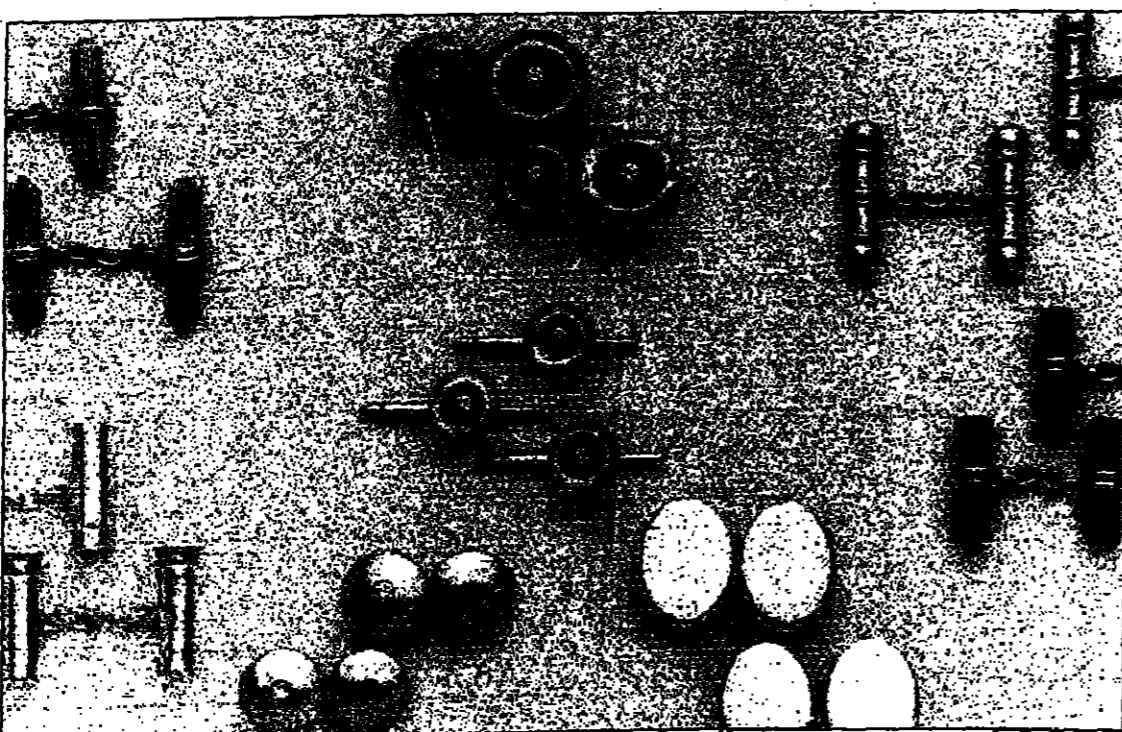
The quality cigar trade is not in the same robust health this year as it was in the late 1980s, due largely to a contraction of

new custom due to heavy layoffs in the City — the somewhat tattered Yuppie market is not what it used to be.

Dunhill believes that its Dominican Republic brands will carve a useful niche, however, because they will be priced 10 to 20 per cent lower than Havanas by virtue of the Dominican Republic's recent elevation to the status of a Lome Convention country, thereby benefiting from preferential European tariffs that do not apply to Cuban cigars. In short, some Dunhills will be on the market at less than £3 apiece, a price that Havanas have not enjoyed for years.

Frank Gray

THEO FENNEL

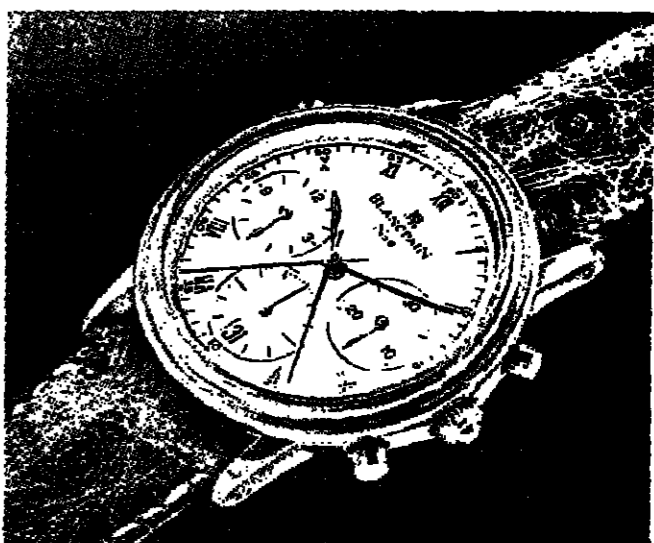


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The case of the coded labels

Jancis Robinson uncovers a little secret at a bastion of male chauvinism in the city

I SUPPOSE there are people to whom the name El Vino is synonymous with wine quality and connoisseurship, the firm springing as it does from the loins of the Conservative party and the City of London.

These are probably the same sort of people as the Mitchell brothers, owners of El Vino, who will have no truck with New World wines. Sir David and Christopher Mitchell are proud of being, respectively, an MP and a member of the Court of Common Council in the City.

Some of us, however, are less generous in our estimation of real wine connoisseurship in Westminster and the Square Mile, and are only too aware that there must also be others who more readily associate El Vino, their best-known watering hole, with male chauvinism and some of the seedier aspects of the old Fleet Street.

Certainly past experience of their wines inclined me towards the second, more sceptical view. A recent tasting of three dozen of their wines, held intriguingly close to Big Ben on one of the more crucial days in the Conservative leadership contest, left me less dubious about the quality of El Vino wines but flummoxed by the

company's philosophy.

While every other wine merchant in the country now makes a point of giving as much detail as possible about the producers from whom they buy, El Vino goes to great lengths to hide the source of its wines.

David Mitchell himself whipped a telling capsule off the neck of his Montagny 1988 in front of my very eyes lest I be tempted to credit the house of Jaffelin rather than El Vino with this, his best-value white burgundy.

The great majority of his wines carry El Vino's own

label which, printed in various permutations in Beaune, bears about the same relation to graphic design as Derek Jameson does to elocution.

Along the bottom of these labels, in type much smaller than the boast "From the Famous El Vino Cellars" (what they?), are cryptic messages such as "Bottled by PBF at 21230" or "Ets L et Fils, La Chapelle-Pontaveaux" - everything to make it as difficult as possible for a potential purchaser to work out whether a wine is more likely to conform to the style of, say, Pierre Bourée or Loron.

I asked Sir David, who could not have been more helpful or gallant, to explain the thinking behind this secrecy.

"We don't want others to have the benefit of all the effort that goes into our selection," he smiled. What seems obvious to me is that it is precisely those "others", El Vino's competitors, who could work out in a flash what these initials mean, but that the coded labels leave consumers knowing less than, nowadays, they tend to want to.

I could understand it better were El Vino a merchant envied throughout the British wine trade, or had the firm a discernible house style itself, but on the basis of these wines, the Mitchell Bros' tastes are difficult to place.

Their Fernand-Vergeleses Premier Cru 1983 is a robust, dense offering from the extra-traditional house of Doudet Naudin, sorry MDN, while PBF's Gevrey-Chambertin 1982, Clos de la Justice (of which Pierre Bourée is sole owner anyway - so there can be little mystery there) is a prancing, ultra-modern, delicate delight of pure, juicy fruit, ripe for current gobbling.

El Vino, three branches in London EC4 and wine headquarters at 13 Hare Place, Fleet Street, ECA (071-936-4948).

SOME GOOD BUYS FROM EL VINO

Montagny 1988, £9.95. Clean, exuberant fruit with a hint of oak. Perfect dinner party white burgundy. *Montagny Charnes 1986 £18.45. Whistle-clean, creamy ripe fruit. Ready. (Actually bought in Mercurey, according to the code number.)*

Marquis de Ville 1985, £4.65. Clean, frank, mature AC Bordeaux that is actually a chateau-bottled product from the Entre-Deux-Mers (and, I should have thought, would look much more alluring billed as such). *Brouilly 1988, Domaine de Levant £8.25. Beaujolais grower Robert Farjat must have put his foot down, or deliberately lost his consignment like a normal wine.*

Chateau de Lamoignon 1987. The "under wine," as El Vino calls it, of which should make just a notch below Pavillon Rouge du Chateau Margaux at more than twice the price.

Mercurey 1985, £2.50. Very alluring, correct, pure, fruity, red burgundy for drinking now.

Gevrey-Chambertin 1982, Clos de la Justice £17.50. See accompanying text.



Part of the London scene and a seasonal delight: chestnuts

Cookery

Time for an old chestnut

Let the festive run-up begin, says Philippa Davenport

THE ONLY problem about chestnuts is peeling them. It is a labour most cooks dread. The traditional lazy solution is to open a can of ready-shelled whole or pureed chestnuts by Faguer.

I love these decorative tins (their arrival on grocers' shelves signals the run-up to Christmas) and the product is very acceptable in puddings, where the presence of ingredients like sugar and cream serve to mask the fact that canned chestnuts lack the meaty richness and crumbly texture of fresh chestnuts.

For savoury dishes dried chestnuts are much better than canned. They are less well flavoured than fresh but, unlike canned, they retain a certain crispness. Also I find them curiously sweet. A small supply of dried chestnuts makes a reassuring store cupboard standby but do not imagine they offer the cook an instant solution. Ready shelled they may be but you need to pour boiling water over them and leave them to soak for several hours before using them.

No such forethought is needed for ready shelled frozen chestnuts. These are a relatively new introduction and a real boon. Look out for them under the Colombe label in enlightened delicatessen and supermarket shelves. It would be foolish to pretend frozen chestnuts are in the same class as fresh ones but they are the best alternative available to date, and they are a truly convenient food.

Drop as few or as many nuts as you need, still frozen, into milk, stock or water to simmer them. Or, to give them some semblance of roasting, drop them in a pan of boiling water for one to two minutes to thaw, then drain, dry and sauté in butter.

If you want the best, you have to work for it - and I am greedy enough to believe it is worth the effort. There are times when only fresh chestnuts will do. Mark you, peeling chestnuts is a task to be shared, not undertaken solo. Enlist helping hands, if you can, or at least someone to talk to while the chore is done.

The trick about peeling chestnuts is to heat them so that the bitter inner skin that clings to the kernel will peel away with the shell. It is essential to slash the shells with the point of a sharp knife before subjecting them to the heat or you risk an explosion. It is also important to wrap the nuts afterwards in a thick cloth to keep them hot; remove and peel just one at a time.

Traditionally the nuts are heated by dropping them in boiling water or baking them in a hot oven. Modern cooks use the microwave oven and I admit that this unlovely piece of equipment does a good job on chestnuts. Process the slashed nuts in batches of just seven at a time, using the highest power level.

Allow 40 seconds if you want to peel the nuts only, rather longer if you want to cook them right through. My own patent method of peeling chestnuts involves dry-frying them. I use a very old cast-iron frying pan which has crashed to the ground so many times that it is no longer sufficiently flat for sautéing.

I spread a single layer of slashed nuts in the pan, place it over moderate heat and shake it occasionally until the skins begin to blacken and the slashes crack open exposing the ivory kernels within. I ought perhaps to add that a pan used in this way is suitable for no other purpose so do not be tempted to use your best. Also, this method tends to half-cook the nuts, not merely to render them peelable, so recipe cooking times may need to be adjusted accordingly.

If you dry-try for 15 to 20 minutes (keep the heat low and shake and turn the nuts regularly or you will end up with Alfred's cakes) the chestnuts will cook completely and taste as good as any chestnuts roasted in a perforated pan by the fire.

Allowing for the weight of the shells and an occasional bad nut, I reckon 1 lb chestnuts will yield 10 to 12 oz of flesh.

PHEASANT WITH CHESTNUTS & MUSHROOMS

(serves 6-8)

I think this dish must be the sort of thing John Evelyn had in mind when he described chestnuts as "a lusty and masculine food for rustics". It needs pheasants that are properly hung, chestnuts that are freshly roasted and stock that is home-made.

2 plump pheasants, each jointed into 2 breast and 2 leg portions; 2 celery stalks, sliced; 1 onion, chopped; 2 to 3 dozen roasted and peeled chestnuts; 1½ lb mushrooms, preferably marron mushrooms (also called chestnut mushrooms); the juice of 2 small lemons and the finely grated zest of 1 orange; 1 pt stock; 2 tablespoons brandy; garlic and thyme; unsalted butter and a little cornflour.

Slice the mushrooms thickly and sauté them in the minimum of butter. Remove and reserve. Add another knob of butter to the pan and colour the pheasant all over. Put the leg portions only into a flame-proof casserole (they need longer to cook than the breasts) and reserve the breasts.

Fry the celery and onion briefly in the fat remaining in the pan. Add them to the casserole together with the orange zest, a couple of finely chopped garlic cloves, about 1 teaspoon dried thyme and some salt and pepper. Wash out the frying pan with the brandy, orange juice and stock. Pour the bubbling liquid into the casserole and lay butter paper over the pheasant legs.

Bring to simmering point on top of the stove, cover with the lid, then cook in the oven at 300°F (150°C) gas mark 3 for 1 hour. Turn the legs over and add the breasts to the casserole. Bring to simmering point on top of the stove. Replace the butter paper and lid and return the casserole to the oven for 1 hour.

Lift out the birds. Reduce the gravy by fast boiling or thicken it with no more than 1½ tablespoons cornflour, and season to taste. Stir in the prepared chestnuts and mushrooms and warm them through briefly. Return the pheasants to the casserole and keep hot in a low oven for 20 minutes or until ready to serve.

PARIS A TROIS. TOI, CHARLES HEIDSIECK ET MOI.



Charles Heidsieck

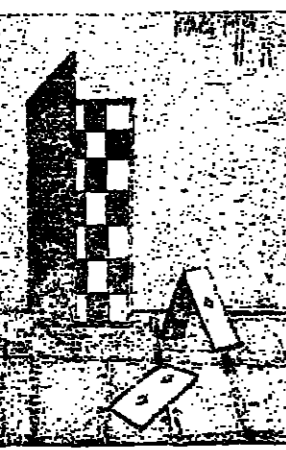
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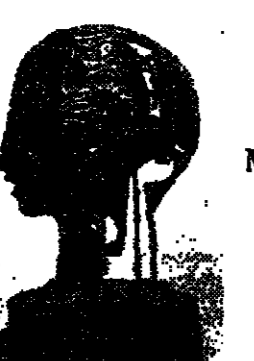
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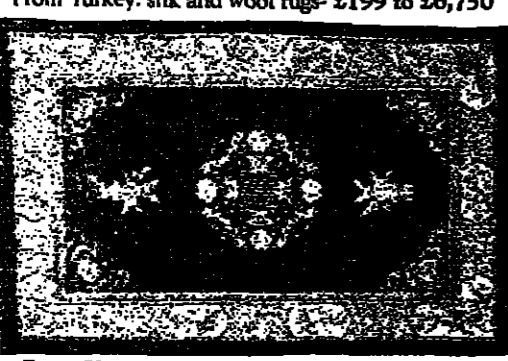


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COLLECTING

Salerooms feel the chill of winter

The decline in house sales is having a tough effect on the art market. Anthony Thorncroft reports

THE RECESSION is cutting deeply into the art market. This is particularly true at the middle and lower ends and among works which attracted a speculative element during the boom years.

Fleaky antiques, acquired by interior decorators to furnish smart apartments and country houses, have been hit particularly badly, both in the US and the UK, as the ultimate clients reflect on dwindling bank accounts, but run-of-the-mill antique shops up and down the country are also having a bad time as potential customers batten down the hatches. The sharp decline in the house market has had a bad knock-on effect: there is little home furnishing with antiques to stimulate sales.

Some auction houses are reluctantly accepting the unsold stock of dealers which, being stale, fails to sell at auction, producing high unsold percentages to add to the gloom.

The only objects immune from the depression are works of the highest quality in areas still dominated by connoisseurs - oriental works of art, antiquities, tribal art. For some reason, exceptional jewels still find buyers: Sotheby's recently sold a 222.30 carat diamond for \$5.5m, a record for any gem stone.

One area which is doing reasonably well is furniture, or

rather furniture of quality. A few furniture dealers down the dustier end of London's Fulham Road are shutting up shop, but everyone needs furniture to make homes habitable so, while pictures might be sold off and not replaced, furniture's usefulness ensures a steady market.

It is the last thing to be sold off. In the last 20 years more people, including even the philistine English, have realised that antique furniture is just as attractive as modern repro.

Domestic buying has compensated for the virtual disappearance of the financially straitened Americans. In addition the continental and the Australians have developed a liking for English furniture, and not only the classic mahogany of the 18th century. The trend has progressed towards Regency and later (partly because of the scarcity and price of good Georgian) and this still holds true. Walnut, however, judging by Sotheby's last auction, is out of favour.

The trade was waiting with some trepidation for the major autumn auctions of important English furniture at Sotheby's and Christie's in November. They would deliver a verdict on the health of the top end of the market. In the event they went off quite well.

Estimates had not been increased since the summer sales - indeed in some cases

they had been reduced slightly - but demand was quite good. Both sales were just over 20 per cent unsold, mainly because the well-stocked trade was not buying so heavily leaving private buyers to pick up relative bargains.

More routine auctions, used by the trade to sell off unsaleable stock and pay their bank debts, have done less well. It might well be worthwhile for buyers to approach an auctioneer after the sale and put in a bid for unsold lots; some sellers will take substantial discounts for ready money.

But Charles Walford, at Sotheby's, could get satisfaction from selling 13 mahogany dining chairs of around 1820 for £15,950, chairs which in the summer had been unsold at £8,000. A Regency brass mounted rosewood library table of around 1810, which had been marked down to an estimate of up to £18,000, did exceedingly well at £23,500. It was just the kind of smart item, of immediate appeal, which is finding a buyer. It is routine stock, furniture priced at between £2,000 and £15,000, the stuff that fills the dealers' windows, that is attracting little interest.

Charles Cator, of Christie's, failed to find a buyer for his top lot, a Chinese export black, gold and nashiji lacquer bureau cabinet, but a pair of Regency tables in the manner of Thomas Hope, exceeded



A Queen Anne bookcase with gilt chinoiserie decoration of the highest standard

expectations at £104,500.

Cator considers the market strong for rare, not over-restored items with a good provenance. For example a mid-18th century wine cooler, being sold by the Stirling family of Scotland, went for £52,800 as against a £15,000 top estimate.

A pair of torchères, from the same source, quadrupled their estimate at £55,000. As at Sotheby's there were pleasant surprises - a George I walnut bureau cabinet bought in dur-

ing the summer for £13,000 sold this time for £22,000. But stale stuff was unsaleable.

Furniture is still relatively cheap and has not attracted the speculative buying that has bedevilled the picture market.

Stuart Whittington, at Norman Adams, a leading London dealer, says the market is marking time. He had his best ever Grosvenor House Fair, selling mainly to overseas buyers, but there is not much good stuff appearing.

The fact that the decorators have led their customers on a dance towards the pretty, if insubstantial, 19th century furniture, has left the classic 18th century items, when they become available, relatively under-priced. For example, early mahogany of 1740-1760 period, once creamed off by the Americans, can now be bought for prices that would not have seemed excessive a decade ago. This really is a good time to buy.

EARLIER IN this century, The Metropolitan Museum of Art in New York was the wealthiest museum in America, if not the world. Philippe de Montebello, its present director, recalled those happy days with the observation that "all one needed to get on the board of trustees was a proper suit, good table manners and a pleasant disposition" (he left out "lots of money," but let that pass).

There were no worries about what the Japanese would do, and the Met knew its rivals: usually the Cleveland Museum, the National Galleries of London and Washington, the Louvre and a few German industrialists.

If the museum wanted to buy at auction all it had to do was to bid 15 per cent above

estimate to be reasonably certain it would get what it wanted.

As any art world observer knows, those days are gone, and the Metropolitan has witnessed a decline in donations (since the 1986 tax reform acts which substantially reduce the tax benefits of donating art to museums) and in purchasing power, which is small compared with the mighty resources of the Getty and Kimbell Museums or any number of Japanese businessmen.

Today the Metropolitan has an annual purchase budget of \$2.5m - the average price, noted Montebello, for "only an ordinary Monet," and finds it

increasingly challenging to make worthwhile purchases with such meagre funds.

This dilemma, or more precisely, the ways the Metropolitan was working through it - was explained by Montebello in an entertaining lecture given at the museum entitled "Patterns of Collecting: The Fine Art of Acquisition" - the selling point being that the director would not only disclose some recent purchases and the reasons why they were bought, but how much the museum paid for them, a taboo subject among American museum professionals.

Significantly, most of the items chosen by Montebello to illustrate his lecture - medieval art, Chinese textiles, Tibetan paintings - are not the sort of things that appeal to trendy American collectors who want instantly recognisable images. For this reason, they are generally more affordable and attractive to museums.

Still, nothing gives the budget a boost like a few deaccessions - the term used when museums or galleries sell off their treasures - and a few evenings previously, Montebello had debated the pros and cons of museum deaccession-

ing with critic Hilton Kramer. Kramer is an opponent of the practice. Montebello argued for a more reasoned and careful approach, initially displaying, on screen, two pictures, Theodore Gericault's *Evening Landscape with Swimmers* and *Les Natchez* by Eugene Delacroix. Both pictures were desperately

Paul Jeromack on how a great museum is fighting its rivals

needed to strengthen the museum's weak collection of French Romantic painting, and both were purchased at public auction in New York last year for \$2.2m and \$3m respectively.

The purchase was funded by the sale of four mediocre impressionists, including a pair of excruciating Renoirs. While I have personal reservations about the Met deaccessioning some other works, I have no qualms about them jettisoning a markedly poor picture (and especially a bad Renoir) for what is certain to be an outrageous and unwarranted sum to purchase something that fills a

major gap.

While anybody can spend millions to buy a masterpiece, Montebello realises that his museum's most valuable assets are its curators and the knowledge they possess. This is a change from the attitude of Thomas Hoving, the Met's previous director, who took personal credit for every important acquisition.

Montebello credits James David Draper, sculpture curator, with the discovery and purchase of an important and beautiful 18th century life size terracotta bust of a *Sleeping Boy* by Philippe-Laurent Roland (1746-1816), a pupil of Pajou. It appeared at a Christie's sale in Monaco on June 16, where it was catalogued as "French School, 18th century" and illustrated in colour.

Roland is an artist of some rarity, and a bronze version of the figure in the Lille Museum is considered one of his masterpieces, so it was reasonable for Draper to believe that he would not be the only person to take notice, and that the Metropolitan would have to fight for it.

He had approved a bid "in the low six figures" for the bust but, miraculously, the Met's first bid was the only one

in the room, and the museum secured it for only \$7,000.

In a similar fashion, William Wisnom, the Medieval art curator, acquired a 13th century French carved bust of an angel at a Sotheby's sale for its low estimate of \$6,000, but was also armed with a six-figure bid.

Some of the other purchases, mentioned by Montebello with pride, notably a group of good but not exceptional - drawings by the prolific 19th century French artist Isidor Pils (bought for \$35,000) are less canny.

It is not often that an American Museum director will express a definite opinion on what he or she likes or hates, since to court the diffuse tastes of potential donors one must outwardly like everything, but one now knows how Montebello feels. While he has dutifully supported the museum's Lila Acheson Wallace's wing of modern and contemporary art, (which, since it opened in 1987, has proved an unqualified disaster with both critics and public) Montebello's heart just is not in it. He is more at home with more representational and traditional works, which are generally less expensive and a better bargain than modern or contemporary paintings. It is significant that none were shown by Montebello as figuring among the Metropolitan's cleverest purchases.

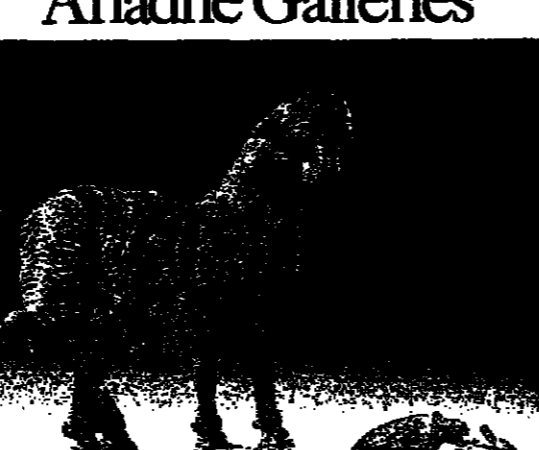
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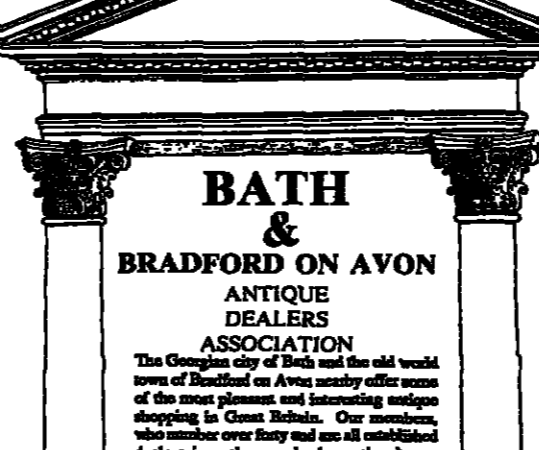
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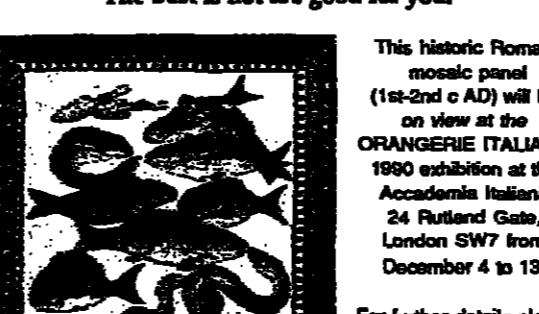
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"Phalanx", by Mel Bochner at Sonnabend

THE HANDMADE black posters pasted to the sidewalk board, the legend: "Marcel Duchamp said the only way to be really anti-art is to be indifferent. ARTIST says art that is indifferent is the real anti-art." As this is New York's SoHo, the splash of posters may also be art who knows? SoHo - the acronym stands for South of Houston - is a late 19th century warehouse area towards the southern tip of Manhattan. It retains just the right degree of seediness to make it bohemian and behind the amazing columned facades of the cast-iron buildings are the "lofts" which artists discovered and adapted as residence-studios in the 1960s. They were soon followed by art dealers and the rest is history: SoHo became the centre of contemporary art in the world.

The area - at least the part which matters - is compact: just three blocks by four, bordered on the north side by Houston Street and on the south by Broome, and crossing from West Broadway through Wooster, Greene and Mercer Streets to Broadway on the east. Within this 10-minute walk there are well over 100 galleries, all of them selling contemporary art. For any visitor to New York, a tour of SoHo is as essential as a visit to the Museum of Modern Art and is certainly as stimulating. All the galleries - one refers to them as spaces - have stark white walls, polished wood floors, and high tech artificial lighting and they are almost identical: indeed, for a centre of the avant-garde it is remarkable that no gallery owner dares be more individual. One has to search to find their names: it is often in small white lettering on the window-pane and never above the door. Some buildings are almost department stores of art with galleries on every floor. The staff can be as strange as the

art on view. This year, a stage-Japanese look (impacted white faces and black from head to toe) is de rigueur for the girls who must also speak with a British accent; plaited pigtales are popular for the boys. In the established galleries, the assistants need only be condescending and rude, as that is what sells art in Manhattan. Trailing from gallery to gallery, one may find a group of German collectors on a guided tour, over-dressed out-of-town clintching Gallery Guides, or undiscovered talents hawking their portfolios from door-to-door. Most of the hopefuls are foreign and the abrupt response to their stuttered appeals is: "Just send me photos but I'll be too busy to contact you."

SoHo retains just the right degree of seediness to make it bohemian

Unless one has a taste for being intimidated, one should leave the really famous galleries - Leo Castelli, Sonnabend, Mary Boone - to the end of one's tour. Better to start with some place like Striott on Broome Street, where an exhibition of work by sculptor Gary Mirabelle continues to the end of the year. These are amusing life-like figures, "Winston the English butler" and "Madeleine the French maid", and they might well have escaped from Madame Tussaud's. The A/D Gallery (560 Broadway) also has a sense of fun. It shows utilitarian objects that have been designed by artists: beautiful furniture by Richard Tuttle, a screen by Sol LeWitt, and china by Roy Lichtenstein, but in December it will focus on the work of three artists in an exhibition called "Versions of Contingency". There will be a floor-piece by Carl Andre, a

"contingency mesostic" by John Cage, and a performance sculpture by Jack Barth. This is a form of what Americans call "happenings", it is "happenings and crosses" to anyone else. At Dannenberg (484 Broome Street), which represents several European artists, the current exhibition is of French artist, Robert Rauschenberg - "paintings and drawings for a communal meditative tent for world peace", but this will make way for a group show of Gallery artists in early December.

The Carolyn Hill Gallery (109 Spring Street) specialises in representational art and has a small stable of artists from all over the world: a group show with works by several of these, including Joseph Sheppard and Peter Cox, continues until the end of the year. At nearby Anita Shapolsky (90 Spring Street) "Wood - the Eternal Medium" is an exhibition of works related to wood and wood products: invitations to the December opening are printed on a brown paper bag. At Jay Gorney (100 Greene Street) the end-of-year show is paintings and sculpture by German artist, Justus Ladda, while across the road at Barbara Gladstone (99 Greene Street) there will be Gallery artists including works by British sculptor, Anish Kapoor, and British photographer, Craigie Horsfield.

The long-established Max Protetch (580 Broadway), which specialises in works by architects, will also have several artists on view, opening on December 6: it represents architects Michael Graves, Peter Eisenman, Aldo Rossi, and Lauretta Vinciguerra among others. In the same building, the Jack Shainman Gallery, which is noted for introducing the work of European artists to the New York public, will be displaying in its elegant "space" recent work by the Belgian conceptual artist, Guillaume Briet until Christmas. At John Weber (142 Greene Street) there are paintings - large explosions of vibrant colour - by Jack Goldstein. David McDermott and Peter McGough are a sort of American Gilbert and George, but with an added dash of zinniness. Their latest works "The Biggest, Brightest, Best Pictures in all the World" are at Spence Westwater (142 Greene Street) and are delightfully witty. In part Norman Rockwell in part Pop Art (and much else besides), the artists' pictures present a topsy-turvy



"The Anchronistic Conversion of a Modern Man", by McDermott and McGough

view of life that is both innocent and sinister.

At Mary Boone (417 W Broadway) will be paintings by the German-American Eric Fischl until 22nd December. His works in neo-Expressionist style with an emphasis on the figure and these recent paintings are inspired by travel in India. Leaving that exhibition one may look across to the Valhalla of SoHo: 420 W Broadway. In a building that has been brutalised by grey stone cladding, its cast-iron columns on the ground floor painted black, and its address "420", dangled on a huge black box on the roof, is the Leo Castelli Gallery and also Sonnabend. Perhaps more than anyone else, it was Leo Castelli who made modern art hip in New York and a list of his artists is long: Warhol, Twombly, Stella, Serra, Ruscha, Rauschenberg, Oldenburg, Lichtenstein, Johns and a host of others besides. His December show is "Drawings, and Models by Claes Oldenburg." Step this way!



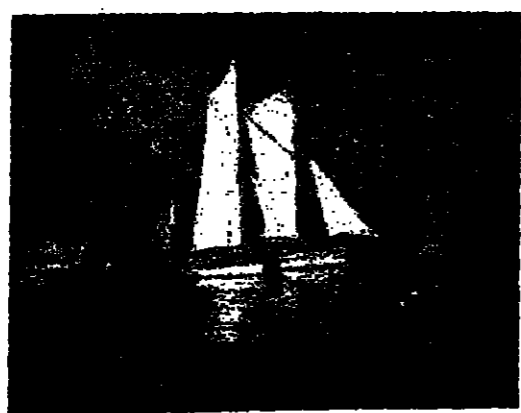
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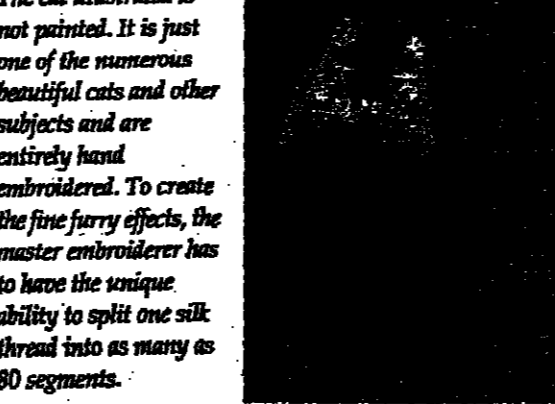
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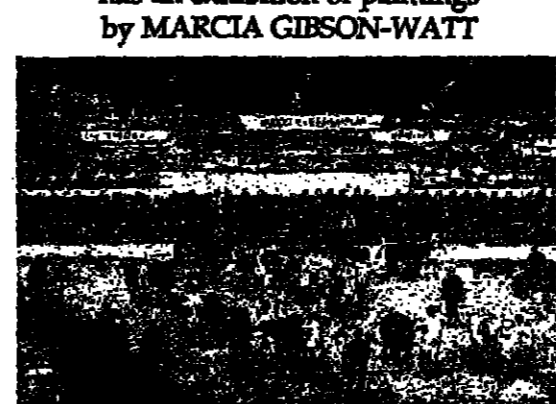
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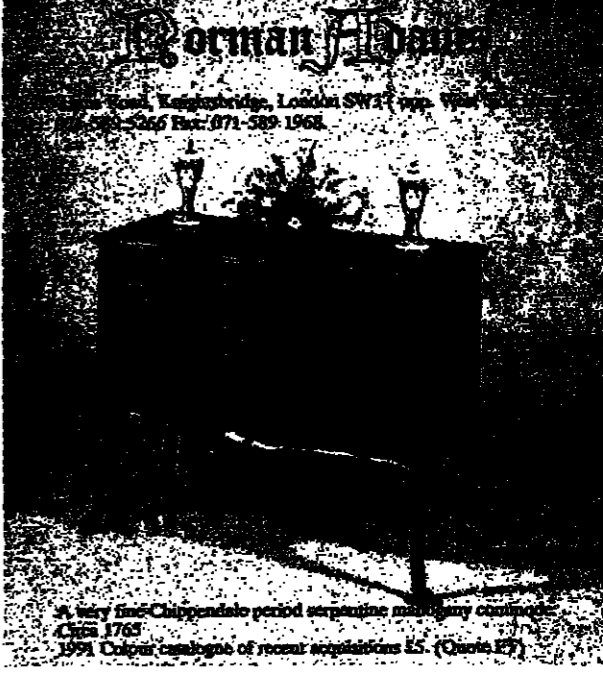


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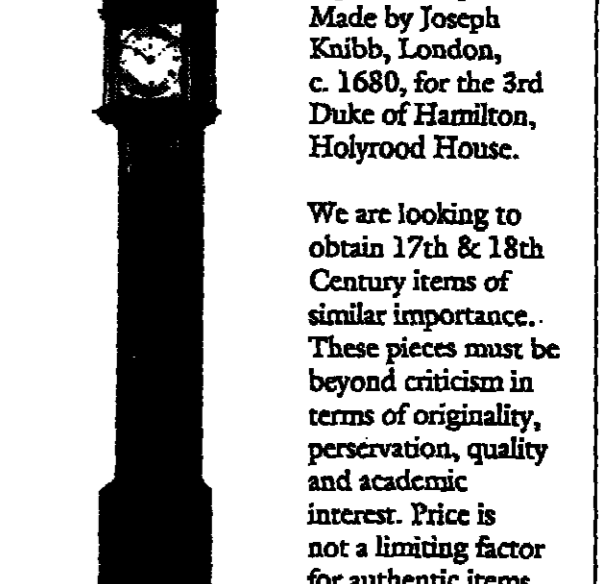
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TRAVEL

The cup that cheers in the life of the Douro

Patrick Blum visits a land of hard work and a harsh climate

ABOUT 120 kilometres east of the northern Portuguese city of Oporto begins the Pais Vinhateiro - literally, the wine country. Cut roughly through its middle by the river Douro, which forms a long sinuous valley flanked by hills and receding mountains, it is a region of remarkable natural beauty enhanced, rather than spoiled, by the hard work of men and women over centuries.

The people of the Douro have had to fight for subsistence against a harsh climate in which bitterly cold winters succeed torrid summers. Over the years, they have shaped the land and given it a unique character.

The scenery is stunning, progressing from the mild green hills of the lower Douro to the wilder and parched mountains that rise further up the river towards Spain. In the region's gentler western part, the hills are covered with vines grown along rows of terraces propped-up by old stone walls.

Small isolated farms and villages dot the sides of the hills. Larger and wealthier quintas, the traditional farming estates, bustle with activity which reaches its climax when the grape harvest is brought in. September is harvest-time in the Douro, and it is an exhilarating time to be there.

While navigating up the river from Oporto or driving along the roads that skirt the river banks and hills, the names

- Crofts, Sandeman, Taylors, Casa do Douro, among many others - boldly written on the side of farmhouses, remind one that if the shipping and marketing of port has its centre in Oporto, this is where it all begins for Portugal's most famous export.

Conditions nowadays are not as harsh as formerly. The weather is said to be milder as a result of climatic changes caused by the damming of the river, though torrential winter rains can still cause flooding and summer temperatures can reach 40°C. Life for the region's thousands of small farmers is not as precarious as it used to be. Better housing and health services, more schools and labour legislation have raised standards of living.

Communications have been improved with new road and rail links, plus an airport at Vila Real, helping to end the region's former isolation. Navigation on the river is easier now that its flow is controlled by dams which also provide electricity. The river bed has widened and the former rapids that made navigation slow and dangerous are a distant memory.

Time permitting, it is well worth making the trip up the river on one of the boats that provide a regular service between Oporto and Regua, the seat of the Casa do Douro which officiates over the region's wine industry. The trip will take at least six hours.

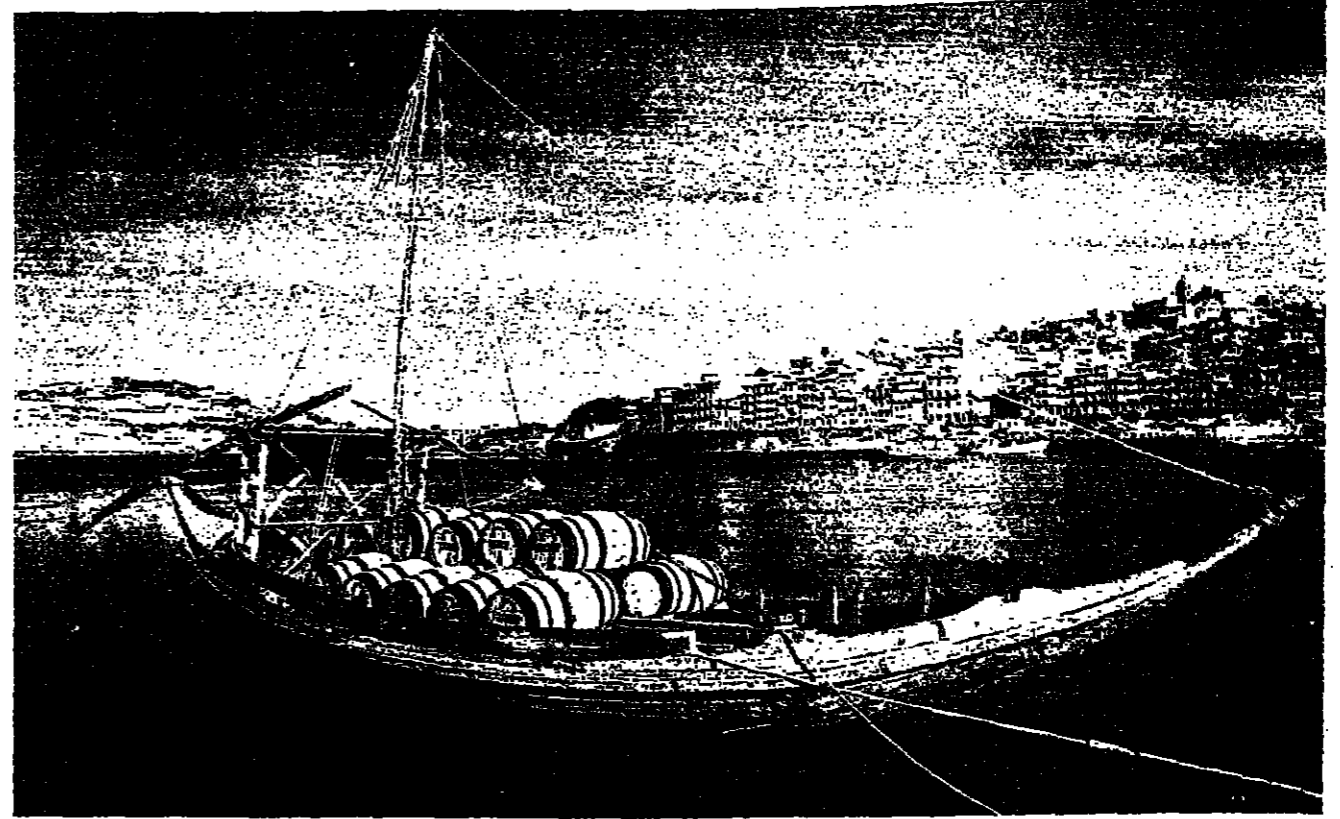
Changes have made life easier, but they have not detracted from the region's

beauty, nor weakened the local people's pride in their land. Traditions remain strong. Outside encroachments are still resisted passionately, prompting Monsignor Dom Antonio Cardoso da Cunha, the popular Bishop of Vila Real, to appeal for more acceptance of progress during a recent mass celebrating the harvest.

The Douro has become more prosperous, with wine dominating all other activities and port the star produce. On it depends the livelihood of 30,000 farmers, of countless farm labourers, craftsmen, shopkeepers, small businesses, and of the families which for generations have nurtured and sold port throughout the world.

The growing popularity of port has made it an international business with exports worth £130m last year. It has created a tight community bound together by shared interest, though it is not free of tensions. A bad harvest or falling prices could ruin many small farmers, and it was to assist and protect them, as well as to regulate the market, that the Casa do Douro was established in 1932. Ironically, the Casa do Douro finds itself the cause of a conflict - involving plans by the Casa do Douro to buy a stake in the largest port company - with unpredictable consequences for the industry's future.

The issue cast a shadow over this year's first-ever festival organised by all the main port wine associations to celebrate the harvest. The two-day event in mid-Sep-



Along the banks of the Douro, and on the river itself, are the signs of Portugal's most famous export

tember included banquets punctuated by speeches, parades, fireworks, a church service and the ceremonial blessing of freshly-pressed must by the local bishop. Although the dispute was not referred to directly in the speeches, it hovered over the dinner tables.

However, perhaps the opportunity for

all to discuss the subject more freely will have helped ease some of the tensions. The outcome of the dispute is important for the whole region. Wine will remain predominant in the life of the Douro for many years to come. Access remains difficult in some parts, and populations are too dispersed to attract many other industries.

Mass tourism by-passes much of the Douro, and it is difficult to see how it could be accommodated - there are few hotels - even if it was desirable. For the time being, a visit can be a rewarding experience. The people are hospitable, and if you are lucky you may be invited to stay in one of the beautiful quintas.

Heli-skiing for the masses

"WE GROW it," the helicopter pilot answered laconically when I asked him how he could still find powder snow for the customers two weeks after the latest fresh fall.

Whether they grew it or manufactured it did not much matter to me at that point. It had been a wonderful day, plunging through the woods and gullies of British Columbia's Purcell Mountains only to be lifted up again and again in the helicopter for more of the same.

To be honest, the snow was not excellent that day, but then the helicopter operator in Banff had made it clear the previous night that it would not be. It was still surprisingly good, and, having been skiing in the Canadian Rockies for a week without experiencing powder snow, I was grateful for anything other than the standard groomed pistes of the big resorts.

I had not planned to go heli-skiing. Indeed, I thought it was out of the question, something you would have to book months in advance, committing yourself to a week long expedition with the best part of a year's salary.

In fact, while some highly exotic expeditions undoubtedly still exist, heli-skiing has come to the masses. At Banff, you can book at short notice for a day's outing, and the company I used guarantees 3,000 vertical meters of skiing in groups of 10 or 11 for C\$285, guide and lunch included.

Like most things for the masses, it was not, I would have to admit, an unalloyed joy. Ideally, one imagines a helicopter dropping you off at the top of a mountain in mid-morning, and leaving you to spend the rest of the day descending through heavenly powder in utter tranquility. Helicopters are violent beasts, moving about in implausible bursts and jolts, generating tremendous noise and, when you are near them on land, gale force winds. So I, for one, would prefer to spend as little time as possible in or near them.

Unfortunately, on the day package I took, the runs were quite short and the helicopter seemed always to be clattering about picking up groups of skiers. I was assured that on a good day, it would be more like the ideal, but after two weeks without fresh snow, the operators had to scrounge for powder. While of course they do not really grow it, the helicopter pilot explained that they do carry out a form of snow management. With experience, they have come to know on which slopes the snow retains its softness the longest. Those areas are then kept out of use and stored, so to speak, in case there is a long gap before the next snowfall.

In all, the heli-skiing was an exhilarating conclusion to a wonderful 10 days of skiing in the Banff area of the Western Canadian Rockies and, in similar circumstances, I would do it again. On most occasions though, skiers should be able to get all the pleasure and challenge they want at the area resorts themselves. Sunshine, Lake Louise, Kananaskis, Fortress, Panorama. All offer a wide variety of pistes, and Mount Norquay is still there on the outskirts of Banff town, with its impossibly steep and moguled runs, for those who want more.

My favourite is Sunshine, a cozy, live-in resort 13 miles west of Banff nestled in an alpine valley at the tree line.

7,100 feet above sea level. Access is by gondola only from a parking lot 2,000 feet below; no cars make their way up, so day trippers are relatively few. Lifts fan out on three sides to take skiers up the broad mountain faces. The longest goes to the top of Brewster Rock at just under 9,000 ft from where the panoramic view over the Rockies is spectacular.

Sunshine opened in 1934, which makes it pretty old by Canadian standards. When I first went in 1955, the staff drove us up the mountains in more-or-less reliable Bombardier snowmobiles and then went back to make our beds and our meals. The atmosphere is still very relaxed.

Sunshine's main sales point now, as then, is its learn-to-ski week. For a fixed fee, you get a room, all meals, a five-day lift pass and a 90-minute lesson every morning. Alas, times change, 38 years ago the lessons ran for three hours, but they are still good - in groups of up to eight students separated by six levels of competence.

For advanced skiers, five days is probably enough for Sunshine. But if you still have some time, there is lots more to do in the area, using Banff

Ian Rodger finds the slopes to his liking in the Canadian Rockies

as a base. The town has plenty of ski-oriented lodging, such as the luxurious but slightly inconvenient Banff Springs Hotel or the more relaxed old favourite in the centre of town, the Mount Royal, and a few attractions of its own, such as a sulphur spa and a thriving fine art community.

The Lake Louise area 36 miles west of Banff offers has become a major ski centre, albeit in a factory-like environment just off the main highway. As the brochure says, it is the largest ski area in Canada, with 44 named pistes on 11 square miles of skiable terrain.

Further down the road just inside the British Columbia border is Panorama, a new resort where the heli-ski operation is based and which claims the piste with the longest vertical drop in Canada, 3,800 feet.

Anyone considering a skiing adventure in the Canadian Rockies will probably worry about the weather. And it is true that in January and February the temperature can drop to very uncomfortable levels. But from late February, it gets above freezing most days even in the high altitude resorts such as Sunshine.

If it is too cold, it is always possible to drive 50 miles out from Banff towards the foothills where two large scale, low altitude resorts, Kananaskis and Fortress, have been built in recent years.

■ Information: Heli-Ski, Panorama, Invermere, BC, V0A 1K0. Tel (604) 342-6494. Sunshine Village, Banff, Alberta, Tel (403) 762-6560. Skiing Louise Ltd, Suite 408, 1550 8th Street SW, Calgary, Alberta T2R 1K1. Tel (403) 256-8473. Panorama, Box 7900, Invermere, B.C., V0A 1K0. Tel (604) 343-6941. Banff Springs Hotel, Banff, Alberta, Tel (403) 762-2211. Mount Royal Hotel, Banff, Alberta, Tel (403) 762-3331.



The Osprey, the Swift and the Yellow Warbler are not the only birds flying south this winter

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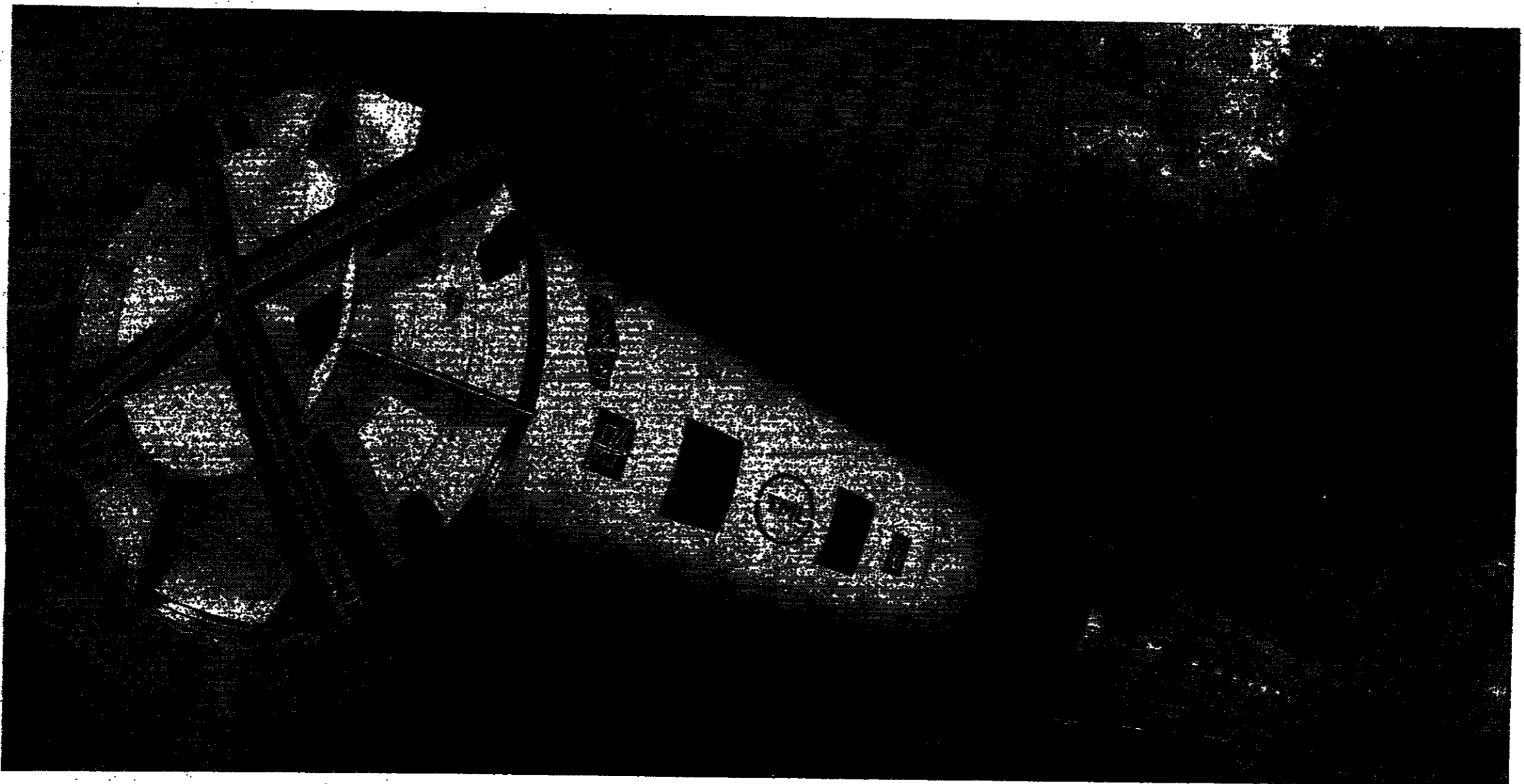
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WEEKEND FT XXI

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TRAVEL SPECIAL - INDONESIA

Amsterdam of the tropics

You do not have to abandon comfort to enjoy Indonesia. But to travel in the most exotic parts, you could be advised to rough it a bit. That is what Nicholas Woodsworth did, starting in Jakarta. This is his three-page report

IBEGAN where it began for the first European settlers, on the edge of the Java Sea in old Batavia.

If you stand at the swampy mouth of the Ciliwung River today, you will find it hard to imagine that here once stood an Amsterdam in the tropics, a humid, orderly city of drawbridges and intersecting canals, red-tiled roofs and white-columned verandahs, sober churches and stone-cobbled squares. But when the merchants and administrators of the Dutch East India Company - one of the earliest joint stock corporations - set about establishing an empire in Asia 370 years ago, this was the gracious city they built.

There is not much left of Dutch Batavia now; it has been swallowed by Jakarta, booming capital of modern-day Indonesia and a giant Asian metropolis of more than 8m people. The dockside warehouses, once piled high with sacks of nutmeg, cloves, tea, pepper, sugar and coffee have given way to a vast container port more likely to be transshipping chemicals and Yamaha motorcycles than spices.

Most of the filthy, refuse-clogged canals, sources of malaria, cholera and typhoid epidemics even in the colonial era, have been filled in. Of the original walled city, only a few colonial buildings survive in a district now devoted to banking and commerce.

So much has Jakarta grown in recent years that just getting to and from the old city, only 5 kms from the downtown hotel area, is difficult. To see it, I left by taxi at 5am one morning, early enough to avoid the endless traffic jams that from dawn to well after dusk paralyse the 35-km length of the city.

Gliding along dark streets empty but for the prone and motionless forms of the city's sidewalk sleepers, I was there in 10 minutes. Returning in the sweaty midday heat through streets bursting with cars, trishaws, motor cycles, a thousand mobile food vendors and purveyors of fake Gucci watches, the journey took more than two hours.

Most tourists avoid Jakarta. Those in transit to Bali, Sumatra and other holiday destinations in Indonesia find it noisy, polluted, overcrowded and just too big to handle comfortably. They are right. But for anyone who wants to get a real feeling for today's Indonesia, a few days in Jakarta are indispensable. This is where 70 per cent of the nation's wealth is concentrated, where less than a dozen business conglomerates control most of the country's natural and manufacturing wealth, and where a vast, centralised bureaucracy decides the fate of countless villages. For 160m Indonesians, this is *Ibu Kota*, "The Mother City", the economic and political heart of a 13,000-island, resource-rich archipelago flung across an area wider than the land mass of North America.

If the city's ragged street-sleepers - homeless migrants from poor rural areas - are the first to stir in the early Jakarta morning, they are shortly followed by a very different type of early riser. Standing in ranks outside office blocks and performing deep knee-bends with military precision, Jakarta's white-collar workers and civil servants exercise together daily before heading for their desks.

While Indonesia may never match the efficiency and productivity of Japan, such officially encouraged Japanese-style practices exemplify the driving energy that has prevailed since Indonesia's oil-based economic boom began more than a decade ago.

Although still lagging behind the other nations of south east Asia, Indonesia is becoming the fastest-growing country in the region. The lag is evident in Jakarta's acres of tin-roof and packing-case slums, the under-employment of a third of its citizens, and a minimum daily wage that barely exceeds a dollar a day.

But just as astonishing is Jakarta's prosperity. Obscuring the slums are aluminium and glass skyscrapers, international hotels and multi-level air-conditioned shopping malls. While late model Japanese cars are the principal components

in any good Jakarta tall-back, Mercedes and BMWs proliferate. Today's Jakarta businessman might have a traditional Indonesian breakfast of *nasi goreng*, fried rice; he is just as likely, however, to grab a fast bite at Dunkin' Donuts.

From the chic, Dallas-style suburb of Pondok Indah, where satellite dishes compete with ornamental shrubbery, to the hectic trading floor of the city's stock exchange, Indonesia - at least as it is seen from Jakarta - seems to be racing pell-mell into the future.

Yet leave the hot, low-lying coastal strip on which Jakarta sits and point yourself in almost any direction in the archipelago. In many places Indonesian modernity is a fiction written on the most translucent of onion-skin paper.

While the Indonesia that lies layer upon solid layer beneath it may be more substantial, it is one of cultural tradition and practice not easily accessible to Western sensibilities. A 24-hour train-ride across Java to Yogyakarta is enough to project the traveller into a past that becomes more unfamiliar as the journey continues.

A few hours into the cool, green paddy-terraced hills behind Jakarta will take you back to the early anti-colonial days of independent Indonesia. Bandung is not a name that now stands out in the annals of history. But for a brief period in 1955 this former Dutch resort of shady boulevards and curving art-deco architecture captured the attention of the entire world.

It was here, at the first post-war meeting of independent third-world nations, that Asian and African heads-of-state took a concerted stand against the world's great powers. Convened by President Soekarno, first leader of Indonesia and a vociferous opponent of the West, delegates of the Asia-Africa Conference pledged themselves to fight Western domination and professed deep ties of solidarity and co-operation with each other.

Walking through the conference



Indonesia's islands offer the chance for tranquil stopover before taking on Jakarta, the noisy and overcrowded capital

rooms - today a museum of peeling grey paint and dusty photos - is like walking through a hall of broken dreams. Here are pictures of Jawaharlal Nehru laughing with Chou En Lai as they stroll through the streets of Bandung - six years later India and China, the two giants of Asia, were at war. Also captured in photos are the smiling faces of the leaders of Cambodia and Vietnam, Iran and Iraq, and a host of other countries whose dreams of friendship long ago crumbled. So, too, with the downfall of Soekarno after 1965, crumbled Indonesia's militant anti-Westernism.

As the train continues to rumble further back in time towards Yogyakarta, it takes its passengers through some of the richest, most densely populated and intensively farmed land in the world.

Java's centuries-old economic and cultural domination of the Indonesian archipelago is based on agricultural wealth. While the string of volcanoes that runs the length of the

1,000km-long island have wreaked destruction many times over the centuries, their fertile volcanic ash also allowed Java a prosperity unimaginable elsewhere in the tropics.

An intricate system of paddy field irrigation developed over 2,000 years gave rise not only to vast agricultural surplus, but to a high degree of social co-operation and development. This, and a maritime trade with India and China, gave birth to privileged urban elites in possession of the elements necessary to the building of civilisation - opulent wealth, leisure time and a drive for imperial expansion.

From the second century onwards, Java was the home of a succession of sophisticated Hindu and Buddhist empires with highly developed forms of cosmology, social law, art, architecture, and political organisation. Many of these traditions, along with earlier animist beliefs with which they co-existed, were woven into Islamic culture which came to the archipelago in the 1500s. Islam continues to

predominate today, but earlier traditions remain very much alive in even the smallest village on overcrowded Java.

All of these influences can be felt in Yogyakarta, cultural capital of the island. Like most of urban Indonesia, it is an untidy concrete sprawl unable to cope fully with a fast-expanding population. But in its walled heart is an old royal city of 30,000 inhabitants - the retinue, guards and dependents of the Sultan of Yogyakarta, still regarded by some as a living deity.

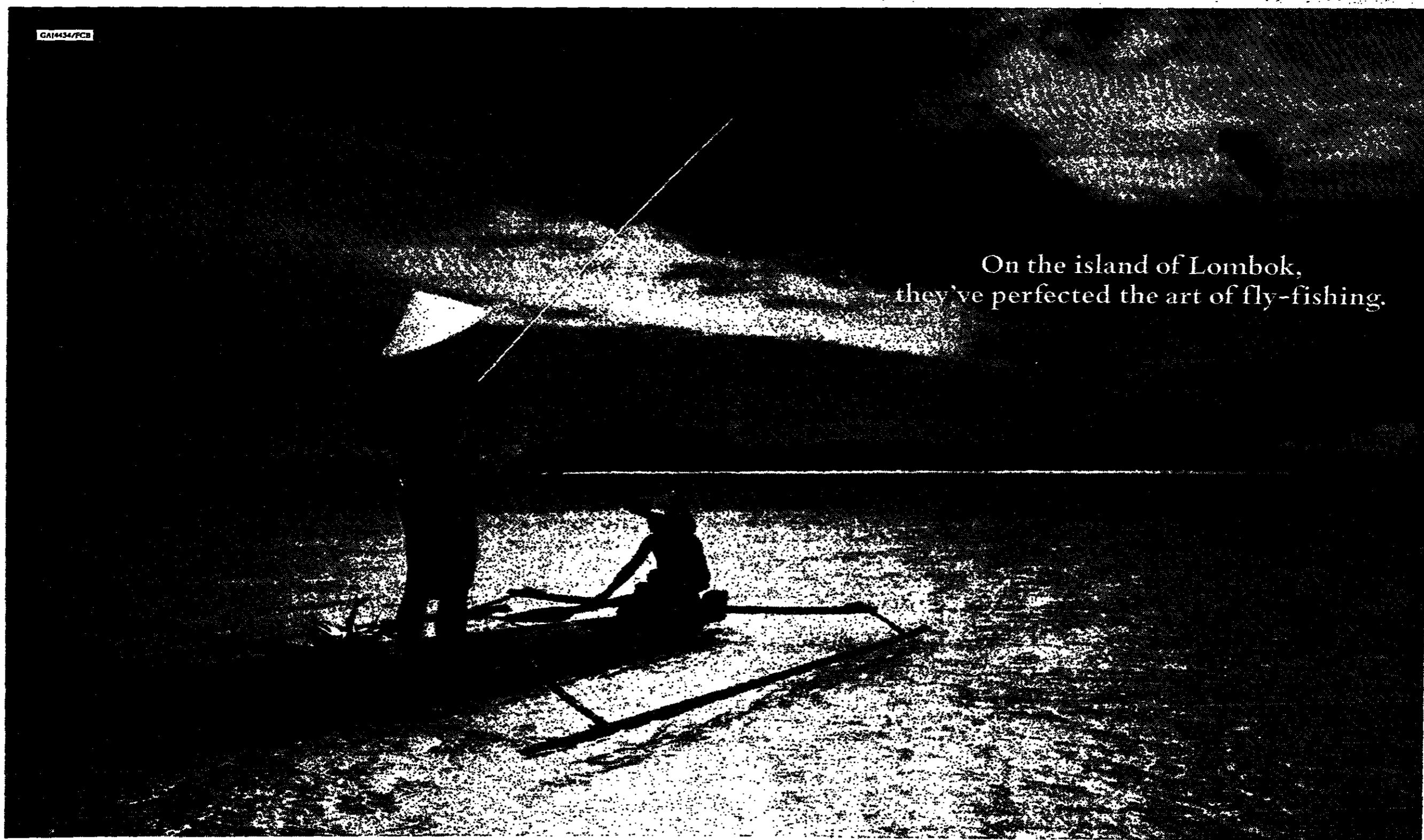
Here in the courtyards of his palace, camera-toting tourists attend performances of royal court dancing, watch *wayang kulit*, the famous Indonesian shadow play of articulated puppets, or listen to a *gamelan* orchestra, whose strange xylophonic rhythms have been likened to moonlight or running water.

Perhaps not so strangely, most of the tourists here mull about somewhat bewildered. So old are these traditional art forms, so tied up are

they in layers of alien culture, that for foreign visitors simple intuitive appreciation is difficult. A court dancer may study for years before she has perfected a gesture of hand or eye, but the volumes of meaning such exquisite refinement holds is legible only to the adept.

I found a much greater rapport when I spent the afternoon on the banana-tree-shaded doorstep of an elderly tailor as he sewed uniforms for the sultan's guards. Sitting cross-legged on the ground in a thread-bare sarong, a pair of wire-mesh spectacles perched on his nose, he sang for hours to a score of bright, tiny birds ranged in cages around him. This, too, was a form of exquisite refinement, the result of centuries of life very different from our own.

So it is with much of Indonesia. The future encroaches, the past endures. We look, we marvel at the strangeness of it all, and we move on. And from Yogyakarta, most move on to Bali, the island reputed to be the last paradise on earth.



On the island of Lombok, they've perfected the art of fly-fishing.

On this peaceful tropical island, just 30 kilometres from Bali, the local fishermen have developed a unique way of casting out their lines.

To clear the coral reef just off the beach, they make a kite from a large, dried leaf and a pair of sticks.

They then attach their baited hooks and fly them over the reef to catch the big fish on the far side.

Lombok is just one of the 13,667 fascinating islands that make up the Indonesian archipelago. Each one with a charm of its own.

On nearby Java, for example, you can visit the Borobudur temple, a huge stone building that has been described as the eighth wonder of the world.

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The gods look down on Phil and Andy

Just how will Bali's deities regard tourism?

IT IS sunset, and on the flower-scented island of Bali, playground of a thousand gods and devils, the tropical night falls with surprising speed.

It catches old men with their bird-shaped fish-shaped kites still sailing high in the air above rice paddy and bamboo thickets. It creeps up on almond-eyed Balinese beauties as they bathe in village streams and pools. It obscures the bright rainbow of prayer flags fluttering over the island's countless temples. Hiding the unholy thievery of chickens pecking at sacred offerings of rice grains and sweet finger-bananas, it also pulls a dark curtain over volcanic Mount Agung, home of Bali's deities.

On the island believed by its Hindu inhabitants to be the navel of the world and by the rest of humanity to be Eden on earth, even the gods need their rest.

Night also falls on the Goa 2001 bar and restaurant in the Balinese resort town of Kuta and on Phil, Andy and Wayne as they sit inside over cold beer. Unlike the gods, they, along with most of the inhabitants of Kuta, have little inclination for rest. Nor have they come for the night life: the Goa only really starts jumping around midnight.

They have met here instead to talk business; it is talk that is as driving and insistent as the hard rock that pours from the doorways of Kuta's main drag, Paradise is up for sale and going fast. And like the investors, developers and Jakarta businessmen who have flocked to Bali, they want their share.

Phil and Andy are little different from hundreds of other westerners making a living in Kuta, the island's most heavily commercialised resort. Born in middle-class Sydney, Phil has knocked around Asia since his early 20's. Former seasonal surfer and sunset watcher on the once-calm beaches of Sri Lanka, and more lately exporter of Asian handicrafts to Australia, he has taken to the easy expat life on Bali. His friend Andy is a British free-lance photographer based in Singapore, and tiring fast of the pace and competition.

Now both in their middle 30s and married, they want something a little more steady, secure and income-productive. They have found what they are looking for in a small coco-

nut grove off Kuta Beach, and it is not coconuts. With their Balinese partner Wayne - foreigners are prohibited from owning land in Indonesia - they are discussing financing for land purchase and the construction of a luxury bungalow complex.

Bali, only 80 miles long by 50 wide, is today the most popular destination in Indonesia and in the middle of a tourist explosion. In July and August, finding a room in Bali without a booking is impossible, and hotels remain nearly full throughout the year. At the same time that scores of Phils and Andys are undertaking their own modest projects in Kuta, the Hyatt Regency in the nearby, up-market resort complex of Nusa Dua is putting up an \$80m beach hotel.

A visit to the flower-scented playground of gods and devils

Currently there are about 40 star-rated hotels in southern Bali; this year alone almost 20 more will be completed. Unrated hotels number in the hundreds. So forced has the rate of expansion been that the government has had to cap the number of hotel rooms planned for the next five years: it has not yet been able to provide the infrastructure needed by those already built.

Less than a decade ago Kuta was a small fishing village. Today it is a dense jungle of bars, discos, souvenir stands, frozen yoghurt kiosks, photo processing labs and surfboard rental shops. Money-changers here will give you yen for lire; sandwich boards on street corners advertise magical mystery tours round the island; in neon-glowing Aussie Alley you can sign up for pub crawls that include beer races for the boys and wet T-shirt contests for the girls. Bali, as the sign outside the drive-in Burger King on the edge of town announces, is now the Home of the Whopper.

What passes all understanding is the fact that despite the gaudy commercialism, traditional Balinese society has more than survived - it is flourishing. Bob Monkhouse, a retired Australian academic who gave up ownership of the Barracuda

Bar in Kuta some years ago and now lives many miles away in a coconut grove that is still a coconut grove, remains amazed by Bali's resilience.

"When the first trickle of foreigners started coming here in the 1930s, Bali's traditional way of life was given five years of survival," he says. "When I came to Bali in the late '60s the trickle had turned to a stream. Today it's a deluge. We continue to hear the same dire predictions of cultural collapse, and Bali's villagers continue to carry on in the same way they always have. If anything, the Balinese have strengthened their society as a form of self-protection."

For Bali's 3m Hindus, a tight network of responsibilities to their ancestors, kin groups, caste groups, villages and, above all, their gods, have helped act as a defensive shield against cultural change. While foreign visitors are concentrated in the four tourist resort areas of Nusa Dua, Sanur, Kuta and Ubud, most Balinese continue to live in villages in the island's lush, intensively-worked interior.

Here a complex Hindu mythology, superimposed on strong animist beliefs, regulates every act of daily life. The Balinese calendar is an unending series of colourful religious ceremonies, offerings, purifications, dances and rites.

Nature, the creation of the gods, exists for the pleasure of the gods: if a plain surface presents itself, it is there to be artfully decorated; if an empty space in time intervenes, it does so in order to be filled with music. The Balinese remain what they have always been, a people of great spiritual creativity, sensuality and imagination.

This is a world where unpredictable spirits inhabit houses, highway intersections, rivers and fields; where during the harvest season the blessing of the rice goddess Dewi Sri is invoked each and every time a stalk of rice is cut. Malignant deities linger around every corner, benign ones look over every shoulder.

In a universe that is a stage for an unending struggle between the forces of good and evil, no act goes unperformed or unobserved by one of Bali's powerful gods. Only time will tell how those gods finally choose to regard the powerful and growing force of tourism.



A dance to the music of time: a dancer may study for years before she has perfected a gesture of hand or eye

TRAVEL GUIDE

Take the slow train

FOR THOSE with a taste for the exotic, Indonesia is one of the finest countries in the world to travel in. It has some of the most diverse landscapes, strangest customs, intriguing cuisine and colourful people anywhere. The largest island archipelago in the world, it is a country of huge distances and great contrasts.

But it is not a place that can be described only in the language of superlatives. What makes it fascinating is also the wealth of detail the traveller continually runs across. It may be a boy walking along with a tiny bird on his shoulder, a group of elderly men flying kites, or a family of five happily balanced on one very small motorcycle. Wherever one turns, there is something new and different to see.

Because of its size, seeing Indonesia involves travel in the real sense - getting from one place to another and you may find yourself spending a lot of time in minimum comfort. But doing things like taking slow trains or crowded mini-buses can, in the end, make all the difference.

This is not to suggest that anyone should give up western comforts. For example, to stay in Jakarta's Mandarin Oriental Hotel, the finest in the city, is an utterly delightful experience. But getting out of the cocoon of first-class travel and tourist luxury from time to time can result in different but equally delightful experiences.

If you wish to see some of the more exotic and remote parts of Indonesia, you may well have to rough it a bit. Such places as Yogyakarta, Lake Toba in north Sumatra, Torajan in the highlands of Sulawesi, and Bali are all on the well-beaten track, and all well worth seeing.

On the other hand, the clear water of the Moluccas, stone-age Irian Jaya (Indonesian New Guinea) and the interior of Kalimantan (Indonesian Borneo) have barely been introduced to tourism, and offer few facilities. But talk to anyone who has travelled to them and you will want to be

Continued overleaf

Nights of beer and butterflies

Sulawesi is home to the Bugis, a fiercely Islamic people

THERE WAS a time not so long ago when children used to scare each other with stories of the boogeyman. If you went into strange dark places, the boogeyman would get you, and awful things would happen. I was in a strange and dark place recently, ran into a whole crew of boogeymen, and for the next few days had a thoroughly enjoyable time.

The Galaxy Bar, which sits not far from the waterfront in the port of Ujung Pandang in Sulawesi (the Celebes Islands), serves some of the coldest bottles of Bintang beer in town. But it is not just the beer which after dark draws the city's more raffish citizens into this quarter of silent warehouses and murky streets.

The Galaxy's chief attractions are its *Kupu-Kupu malam*, a name that translates literally as "night butterflies." Exotic female creatures of like movement and bright dress, they hover about the obscurely-lit bar, whisper with dim, male figures in the corners, and from time to time flitter upstairs. Those who clump up after them may think themselves hunters of butterflies, but it is they who have been caught.

The beer was good, the atmosphere as one might wish, but I was not in Ujung Pandang entirely by choice. That morning I had been on my way from Bali to the remote and unspoiled Moluccas, the original "Spice Islands" of colonial trading history. But limited air transport and overbooked seating had left me stranded in Ujung Pandang without a hope of getting there for days.

Nor were my two guidebooks very encouraging about my immediate prospects. One, commenting diplomatically on the character of the local people, said that their "courtly heritage is today preserved only imperfectly. The other was more blunt: they were judged to be "rough and coarse." As I sat wearily at the bar that evening, my preoccupation was less with butterflies than what I was to do next.

But my fate was decided for me. It was in the Galaxy that I met the Bugis, who changed my plans completely. I did not fly anywhere; instead I spent the next four days under winged sails on the Java Sea. I ended up not in the Moluccas but on the equally remote shore of the island of Borneo.

The Bugis, a fiercely Islamic people who make their home on the southern tip of Sulawesi



On the tourist route: Indonesia's stunning landscapes include spring-fed rivers and terraced paddy fields

have for centuries been the greatest sailors, ship-builders and maritime traders in the Indonesian archipelago. Masters of navigation, they are believed long ago to have sailed as far as Australia and Madagascar in search of trade and treasure. A sea-faring people par excellence, their reputation is awesome - that some still sail without sextant, compass or other aids I can verify; that they can actually smell coral reefs or an approaching tidal wave, I am not wholly convinced.

The Bugis' reputation for toughness and aggression rests on their past, much of which was taken up with piracy, slave-running and other vio-

lenced with a suitcase and journalistic paraphernalia. I crossed the ship's impossibly long and spring-gang-plank very, very carefully, but without falling in. Some achievement, I thought at the time. I was cut down to size much later when I saw Fatma, a young Bugis girl also heading for Borneo, giggling as she scampered along the ship's narrow gunwales in a high, pitching sea.

The *Panca Anugerah* was a classic Bugis vessel, high in the prow and stern, low and wide-beamed amidships, and made through her 120-foot length almost entirely of teak. These ships, still being built today, number in the thousands and can be found carrying cargo all over the archipelago. Some remain pure sailing vessels. Others, like the 80-tonne *Panca Anugerah*, rely on a combination of both sail and motor power.

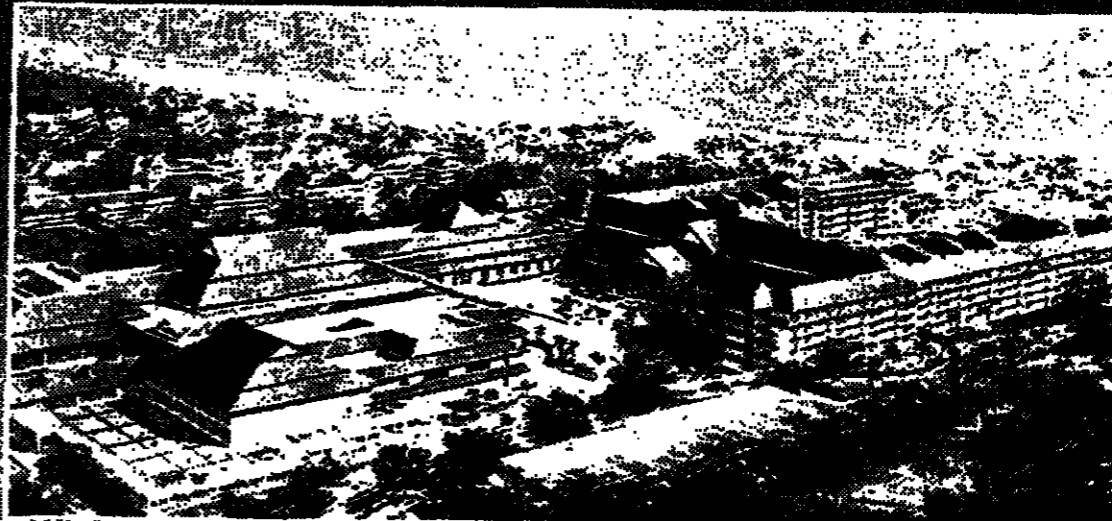
The distance from Ujung Pandang to the port of Banjarmasin in southern Borneo is about 750kms, a negligible distance in today's age of high-speed travel. With her huge mainsail and jib it took the boat four long days and three nights to sail across the straits of Makassar and along the Java Sea to Borneo.

The sarong-clad crew spoke not a word of English, and I not more than ten of Indonesian; we got along fine. We set out long lines and caught our dinner with plastic squid lures. We climbed out on to the bowsprit and watched dolphins racing the bow wave 20 ft below. We played guitar. Out on the main deck, where waves would break suddenly over the side and rush into the scuppers, we washed laundry and doused each other with buckets of sea-water. I spent a lot of time on the high stern poop behind the wheelhouse just watching the sea; turquoise by day, at night it turned to phosphorescent fire brighter than the stars. This was the slowest journey I am ever likely to take.

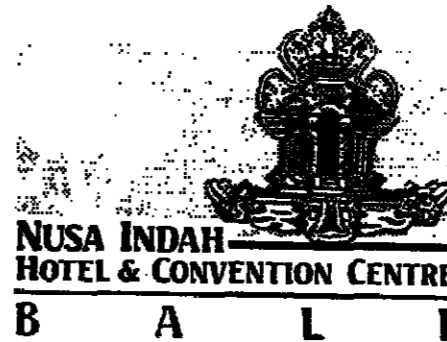
But there is other pleasure besides the excitement of speed. It is the enjoyment of being out on a vast, empty sea with only the wind around you. It is found in the total absence of urgency, in the slow, bright arc described by the sun, in the endless lift and fall of the hull. Day melted into night and back again, and the ship ploughed slowly towards Borneo. If there is anything dangerous about sailing away with the Bugis, it is the danger of not wanting to come back again.

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